U.S. Bankruptcy Court
Eastern District of Michigan (Detroit)
Bankruptcy Petition #: 13−53846−swr

Date filed: 07/18/2013

Assigned to: Judge Steven W. Rhodes
Chapter 9
Voluntary
No asset

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Tax ID / EIN: 38−6004606

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Filing Date	#		Docket Text
04/18/2014		4179	Transcript Order Form of Hearing April 17, 2014, Filed by Interested Parties Syncora Capital Assurance Inc., Syncora Guarantee Inc.. (Bennett, Ryan) (Entered: 04/18/2014)
04/21/2014		4209	Transcript regarding Hearing Held 04/17/14 RE: (3945) Wayne County's Motion Under 11 U.S.C. 105(d)(1) for a Status Conference on, and Appointment of a Facilitative Mediator with Respect to, Issues Related to the Future of the Detroit Water and Sewerage Department; (3943) Corrected Motion of the City of Detroit for Entry of an Order Establishing Supplemental Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment with Respect to Pension and OPEB Claims; (3954) Joint Motion to Amend the Solicitation Procedures Order; (3632) Hearing on any Unresolved Objections to the Disclosure Statement (Re. Third Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor's Plan of Adjustment); (3632) Initial Status Conference on Plan (Re. Third Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor's Plan of Adjustment). THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 91 DAYS AFTER THE DATE OF FILING, TRANSCRIPT RELEASE DATE IS 07/21/2014. Until that time, the transcript may be viewed at the Clerk's Office by parties who do not receive electronic notice and participated in the proceeding. A copy of the transcript may be purchased from the official court transcriber Lois Garrett at 517.676.5092. (RE: related document(s) 4152 Transcript Request, 4153 Transcript Request, 4154 Transcript Request, 4163 Transcript Request, 4168 Transcript Request, 4175 Transcript Request, 4179 Transcript Request, 4180 Transcript Request, 4181 Transcript Request, 4184 Transcript Request). Redaction Request Due By 05/12/2014. Redacted Transcript Submission Due By 05/19/2014. Transcript access will be restricted through 07/21/2014. (Garrett, Lois) (Entered: 04/21/2014)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

TRANSCRIPT ORDER FORM

111 First Street
Bay City, MI 48708

211 W. Fort Street
17th Floor
Detroit, MI 48226

226 W. Second Street
Flint, MI 48502

Order Party: Name, Address and Telephone Number

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Case/Debtor Name: City of Detroit, MI

Case Number: 13-53846

Chapter: 9

Hearing Judge Hon. Steven Rhodes

(•) **Bankruptcy** ( ) **Adversary**

( ) **Appeal** **Appeal No:** _____

Hearing Information (A separate form must be completed for **each** hearing date requested.)

Date of Hearing: 4/17/14 **Time of Hearing:** 9 am **Title of Hearing:** Hearing re Detroit Bankruptcy

Please specify portion of hearing requested: (•) **Original/Unredacted** ( ) **Redacted** ( ) **Copy** (2nd Party)

(•) Entire Hearing ( ) Ruling/Opinion of Judge ( ) Testimony of Witness ( ) Other

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, MICHIGAN,	.	Docket No. 13-53846
	.	Detroit, Michigan
	.	April 17, 2014
Debtor.	.	9:00 a.m.

. . . . . .

HEARING RE. (3945) WAYNE COUNTY'S MOTION UNDER 11 U.S.C. 105(d)(1) FOR A STATUS CONFERENCE ON, AND APPOINTMENT OF A FACILITATIVE MEDIATOR WITH RESPECT TO, ISSUES RELATED TO THE FUTURE OF THE DETROIT WATER AND SEWERAGE DEPARTMENT; (3943) CORRECTED MOTION OF THE CITY OF DETROIT FOR ENTRY OF AN ORDER ESTABLISHING SUPPLEMENTAL PROCEDURES FOR SOLICITATION AND TABULATION OF VOTES TO ACCEPT OR REJECT PLAN OF ADJUSTMENT WITH RESPECT TO PENSION AND OPEB CLAIMS; (3954) JOINT MOTION TO AMEND THE SOLICITATION PROCEDURES ORDER; (3632) HEARING ON ANY UNRESOLVED OBJECTIONS TO THE DISCLOSURE STATEMENT (RE. THIRD AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT); (3632) INITIAL STATUS CONFERENCE ON PLAN (RE. THIRD AMENDED ORDER ESTABLISHING PROCEDURES, DEADLINES AND HEARING DATES RELATING TO THE DEBTOR'S PLAN OF ADJUSTMENT)

BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

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THE CLERK: All rise. Court is in session. Please be seated. Case Number 13-53846, City of Detroit, Michigan.

THE COURT: Excuse me. Good morning, everyone. I'd like to begin with the motion for mediation and then the corrected motion for entry of an order establishing supplemental procedures for solicitation and tabulation of votes regarding pension and OPEB claims and then the motion to amend the solicitation procedures filed by Assured and others, then the hearing on the disclosure statement and then the status conference. Okay. So let's begin with the motion for mediation. Anybody here on that?

MS. FAKIH: Good morning, your Honor. Stephanie Fakih. For the record, the spelling is F-a-k-i-h. I'm here appearing on behalf of Ms. April Clarty. Your Honor, I was just retained in this matter, and so I haven't been in touch with anybody regarding mediation for this case.

THE COURT: Who do you represent?

MS. FAKIH: Ms. April Clarty. She's sitting in the back of the courtroom.

THE COURT: Did you file a paper?

MS. FAKIH: I did not, your Honor.

THE COURT: Who else is here, please? Mr. Fischer?

MR. FISCHER: I misunderstood, your Honor. When you said the motion for mediation, I thought you were referring to the motion that was filed by Wayne County.

THE COURT: That's the motion.

MR. FISCHER: Then I'm here on behalf of Oakland County, your Honor, and good morning. We have filed papers.

MS. FAKIH: Your Honor, just for clarification, this is Case Number 13-53846?

THE COURT: Yes, City of Detroit.

MS. FAKIH: That's correct. And my client, April Clarty, is the creditor on this case I'm bringing.

THE COURT: She's one of the creditors?

MS. FAKIH: That's right, your Honor.

THE COURT: Does she have an interest in whether Wayne County mediates the Detroit Water System with Wayne and Oakland County?

MS. FAKIH: No, your Honor, I don't believe that she does, which is why I --

THE COURT: All right. That's what's before the Court now.

MS. FAKIH: I'm kind of confused.

THE COURT: Okay.

MS. FAKIH: Okay. Thank you.

THE COURT: All right.

MR. GREEN: Good morning, your Honor. Jonathan Green from Miller Canfield. I'm told that Mr. Newman, who filed the motion, is still waiting to get through security.

THE COURT: All right. Mr. Fischer is here. Are

you here on this matter, sir?

MR. BRILLIANT: Yes, your Honor. Allan Brilliant on behalf of Macomb County by and through its county agency, the Macomb County Public Works Commissioner. Mr. John Schapka, who's the interim and maybe early, you know, today, you know, the permanent corporation counsel for Macomb County, had intended to appear on this matter himself. He had filed the response, and I understood that he would be here by nine o'clock, but apparently when your Honor asked for appearances, he wasn't here, but I am here on behalf of Macomb if Mr. Schapka doesn't get here.

THE COURT: Are you prepared to proceed on behalf of your client?

MR. BRILLIANT: I have had conversations with him, your Honor, and if, your Honor -- if he doesn't get here before you start this hearing, yes, I can participate on behalf of Macomb.

THE COURT: Well, all right. Let me just ask you then to state your client's position regarding this matter.

MR. BRILLIANT: Your Honor, you know, we filed a response, you know. As your Honor knows, there has been, you know, to date, you know, negotiations with respect to the creation of a water authority. The negotiations have not borne fruit. A lot of people have put a lot of time and effort into them. At this point in time, given the positions

that the city had taken in the negotiations, which are outlined in the Oakland, you know -- you know, response, and also given, you know, the city's response that they didn't -- they believe that the negotiations had -- you know, had, you know, run their terms, and also, your Honor, in light of the fact that they have now -- you know, taking the potential creation of a water authority, you know, out of the documentation, our sense is that it may just be a waste of time and effort at this point to have mediation. Of course, if your Honor, you know, thinks that the parties should get together and continue to, you know, negotiate, we would do that and continue to do that in good faith with the hope of reaching a resolution, but there has been a significant amount of negotiation for a long period of time. To date it hasn't borne fruit, and we're just very concerned that it would just be a waste of resources to, you know, continue to do that at this point.

THE COURT: I see that Mr. Newman has arrived. Mr. Newman, we are hearing your motion. Would you like to be heard?

MR. NEWMAN: I would, your Honor. Thank you very much.

THE COURT: I will give you a moment to take your coat off.

MR. NEWMAN: Thank you, your Honor. I apologize.

The security line was a little longer than I anticipated. Max Newman of Butzel Long on behalf of Wayne County and its chief executive, Robert Ficano. We're here today on our motion to request mediation on issues related to the Detroit Water and Sewerage Department and specifically the negotiations and provisions in the plan related to the future of the DWSD.

The issue is a critical one. It's the future of water and the sewage system for four million people around the Metro Detroit area. It's a question of who has control over the system, whether it will be a public or private system, whether it will be a city system, or whether it will be a regional system. We want to stress as part of this that the system is a quality of life issue. It's not just a cash source, but it's actually critical to everyone who's around the region. Reasonable prices and -- are a bulwark against poverty, and the service is obviously necessary for the health and welfare of everybody in Wayne County, my client, but Oakland and Macomb Counties as well, including the city residents.

Unlike some others, we believe that the bankruptcy will definitely -- or could definitely have a material impact on the system. We think that now is the time for the parties to negotiate as part of the bankruptcy. We face real concerns in part of the plan of adjustment, and we would

prefer negotiation over litigation. And obviously we have a number of partners who have to participate in that with us.

The Court on the hearing on Monday was quoted in the newspaper as urging all parties to take advantage of the mediation system and urging all parties to negotiate as part of that. As they quoted you as saying anyway, the message is that now is the time to negotiate, that this is not the time for a public relations campaign; rather, negotiating in public is counterproductive; rather, it is the time to negotiate with the city in confidential mediation sessions. And that is, in fact, exactly what we are asking for.

There have been several objections that were filed to the motion, and I'm characterizing them as objections. They were responses. And each one of them says -- said essentially in one form or another we're very frustrated with the status of the negotiations. Perhaps we think that they may have run their course already, but we're willing to mediate if the Court thinks it's appropriate. We, too, are frustrated with the status of the negotiations. We never would have asked for mediation if we weren't frustrated.

We have somewhat of an insider's view of the negotiations, and I certainly have a view of the Court's mediation process and the history of it. And, quite frankly, I've seen issues that were at more of an impasse or that I felt were less likely to be resolved through mediation

succeed, you know, despite themselves and despite the initial beliefs of the parties going in. Therefore, we do have confidence in the process. We do have confidence in Chief Judge Rosen, and we want to negotiate more. We want mediation to work.

So for the reasons set forth in the motion, we believe now is the time. The plan is pending. I know an amended plan was filed as recently as last night. I know that the case has deadlines a few months out, but in a case of this magnitude and of this size, those are reasonably short deadlines, and so we believe that now is the time to get started. The issues are complex. This issue has been before the courts for some 30 years or more, and if we're going to resolve it, we genuinely need a little bit of time, and we need to start that process now. So with that, if the Court has any questions, I'm prepared to answer them. Otherwise -- oh, one thing I did want to mention my client handed to me as we were walking in, the Southeastern Oakland County Water Authority passed a resolution on the 9th, so earlier, I guess, last week, consisting of the City of Berkley, Beverly Hills, Bingham Farms, Birmingham, Clawson, Huntington Woods, Lathrup Village, Pleasant Ridge, Royal Oak, Southfield, and Southfield Township supporting further negotiations and supporting the idea of a regional water authority emerging from this bankruptcy, so we are not alone

in asking for further negotiations, and we do believe that this is in the best interest both of this case, of the county, of its residents, and of the other counties as well and the city.

THE COURT: Thank you. Mr. Fischer.

MR. FISCHER: Good morning again, your Honor. Joseph Fischer of Carson Fischer together with Robert Weisberg here on behalf of Oakland County. Your Honor, as just a short introduction, I want to make sure I start with the -- what I believe to be always the view of the Court, and that is parties should act in good faith to try to reach an understanding and agreement with regard to any issues that can be avoided in the form of litigation or undue delay and expense. I want to assure the Court that Oakland County has been committed to that.

THE COURT: Excuse me one second, sir.

MR. FISCHER: Yes, sir.

THE COURT: Can I help you? I don't know our controls, sir. Can you help me?

MR. FISCHER: I hope I didn't cause this, your Honor.

THE COURT: Okay. Go ahead, sir. Thank you.

MR. FISCHER: I assume, your Honor, that I don't have to repeat my opening comments again.

THE COURT: No. Go ahead.

MR. FISCHER: Thank you, your Honor. First of all, with regard to trying to respond to Wayne County's motion, I want to assure the Court that with regard to the assertion that we're at the angry letter stage, we are not. At least that is Oakland County's position. We do agree that the Detroit Water and Sewer Department is a very important component of the plan of adjustment, and, as your Honor knows, last -- well, I shouldn't say yesterday evening but very late in the day the second amended disclosure statement and the second amended plan of adjustment was filed, and it leaves questions to be answered with regard to the Detroit Water and Sewer Department. However, nobody is going to argue about the fact that it provides vital services to millions of residents in southeastern Michigan. And Oakland County is a critical customer of the department. Its revenues are obviously essential, and Oakland County is open to the possibility of a reasonable solution to forming a regional authority, but there are conditions precedent to that, your Honor, respectfully. Whatever resolution has to protect all of the rate payers. It has to be able to insure that there is the maintenance of operations. It has to insure --

THE COURT: Is this the beginning of the negotiations?

MR. FISCHER: I beg your pardon?

THE COURT: Is this the beginning of the negotiations?

MR. FISCHER: Are you used to me, your Honor? Most apologetically, I've been asked to please place the statements on the record, and I would ask your Honor's indulgence.

THE COURT: I don't intend to prevent you. I just want the record to be clear what you're doing.

MR. FISCHER: There are many attorneys in the courtroom this morning that aren't familiar with me, but I think your Honor is. Suffice it to say we want to be able to insure that the operations are maintained to insure sufficient and efficient and economical services to all the customers of the Detroit Water and Sewer Department. Certainly, at least as far as the perspective of Oakland County is concerned, that the revenues must be kept in the system to pay for the critical upkeep and rehabilitation that is required. They should not be allowed to be leaked out. They shouldn't be diverted in a manner that is not prescribed either legally or practically.

To date, the city, at least as far as Oakland County is concerned, has failed and refused to negotiate in good faith. They've held back critical documents and information. They barred the access, as far as the county is concerned, to Detroit Water and Sewer Department officials. Unfortunately,

your Honor, we've gotten to the point where we had communicated to us the take it or leave it approach. That doesn't work, your Honor.

Oakland County respectfully cannot and will not make critical billions of dollars decisions that would impact millions of residents without the opportunity to perform, as your Honor would expect, comprehensive and professional due diligence. Our concern is simply the following, your Honor. If we go the mediation route, we are concerned that the city will never provide the level of support and information in order for the county to make rational and well-informed decisions. The city has said --

THE COURT: Doesn't it strike you that if this motion is granted, Judge Rosen will be in a position to assure you that you get -- to assure your client that your client gets all of the information that it needs to negotiate this matter?

MR. FISCHER: Short response, your Honor, is your characterization of Judge Rosen. There is nobody with more fervor that would attack the mediation process and instruct the parties to cooperate and to have transparency as a denominator, so certainly both my experience in front of Judge Rosen and in direct response to your question is yes affirmatively.

THE COURT: All right.

MR. FISCHER: But with all that said, if we don't get these meaningful disclosures, we're not going to be able to make material progress, and that's why Oakland County respectfully, your Honor, filed the response that they did.

THE COURT: What I hear when you say that --

MR. FISCHER: Yes, sir.

THE COURT: What I hear when you say that is that if you do get meaningful disclosures, you can make meaningful progress.

MR. FISCHER: One would hope so, your Honor. I think the denominator also is pertinent --

THE COURT: Mediation is all about hope, isn't it?

MR. FISCHER: It certainly is, your Honor. That's the position of Oakland County.

THE COURT: All right.

MR. FISCHER: Thank you.

THE COURT: What's the city's position, please?

MS. LENNOX: Good morning, your Honor. For the record, Heather Lennox of Jones Day on behalf of the city. Your Honor, the city agrees that a regional water and sewer authority would be a benefit not only to the city but to the region, and that's why the city proactively reached out to the three counties last fall to begin these discussions. We would be happy to reignite the discussions with the assistance of a mediator if this Court believes that it's

appropriate and the parties are willing to participate in good faith.

We certainly disagree with many of the characterizations in Macomb and Oakland County's pleadings and with a lot of what Mr. Fischer just said. We have provided all the information we have, reams of it. We have met at all times in good faith and frequently. We intend to continue in good faith should your Honor order mediation, and we stand ready to participate constructively if your Honor believes it's appropriate.

THE COURT: Thank you. All right. The Court is going to grant the motion and order the city, Wayne, Oakland, and Macomb Counties to mediate the issue of creating a regional water authority. Several considerations motivate the granting of this motion. The first is a sense, unrebutted in the record here, that the creation of a regional water authority is not only in the best interest of the city but also in the best interest of all of the customers of the city's Water Department. The customers of the Water Department, since we're talking about a governmental function here, ought to have the opportunity to participate in the governance of that water authority and the governance of the delivery of water services, and that can only be done through a regional authority.

I also have a sense that this bankruptcy offers a

unique opportunity for the creation of that regional authority and that if we do not take advantage of this unique opportunity, the opportunity will, in all likelihood, be lost forever, so for those reasons the motion is granted, and I will prepare an appropriate order.

And let's turn our attention to the next matter, which is the city's motion regarding soliciting votes with respect to pension and OPEB claims.

MS. LENNOX: Again, good morning, your Honor. We have -- this motion has certainly been long-expected, and, as you can see by the -- how much paper is into it, it's been the work of a lot of -- an enormous amount of effort among a lot of different parties.

THE COURT: Excuse me one second while the courtroom calms down a little bit. And you may proceed.

MS. LENNOX: Thank you, your Honor. The purpose of the motion, of course, is to set forth some special procedures and notices for solicitation and balloting for pension and OPEB classes in our plan. As I mentioned, your Honor, and as we set forth in the motion, it has been a very collaborative process for over more than a month among the city, the Retiree Committee, the two Retirement Systems, counsel for the four safety unions, counsel for AFSCME, and counsel for the two largest retiree associations, one for police and fire and one for general retirees. I would like

to thank them for their participation and for their commentary and for their helpful suggestions, and I think we have a process that even going through the balloting process will require continued cooperation, and I think the parties are operating in the best spirit to try to make things as understandable for these constituents as we can.

It is very tough to make what are very complicated and sometimes arcane concepts about pensions and retiree healthcare benefits simple or easy. We've tried to do that. We've tried to make the plain language statements for each of the classes read like a pamphlet a person would get to make benefit choices when they have choices to make. We have also provided examples for how the pension concepts would work because these are very complicated concepts, and the agreements that we reached with some parties on pension, which are reflected in the plan that we filed yesterday and then were reflected in the amended documents that we filed for solicitation last night, they're complicated, and so we thought that the examples might also help people understand how that might work for their particular situation.

The ballots are equally important for these constituents, so for the balloting, for retirees we've left blanks for numbers that either the retirees' actuary or the city's actuary, depending on the ballot class, will calculate for each individual and fill in, so these will be customized

ballots for each of the retirees or each of the classes.

For the active persons on pension, they're not drawing a pension yet, so we don't know what their pension is, and it could change based on ages, years of service, and salary and that sort of thing. So what we did for the active ballots, we've provided a step-by-step calculation similar to kind of an IRS form where they're filling out kind of an easy form taxes to use. They can use these steps to predict how their future pensions could be affected by what the plan does. Fortunately, the two Retirement Systems actually have those calculators on their websites both in Word form and in an actual on-line calculator form. We simply copied those instructions into the plan -- into the attachments to the ballots, not the plan, your Honor, provided within the ballot itself kind of a step-by-step process to do it, and we also provided the websites for people to go on line, and they can read that for themselves, or they can perform the on-line calculation for themselves.

The other issue with respect to how the plan will affect pensions is, of course, cost of living adjustments, and there was a lot of discussion among the parties about how to explain that concept and how it might work to a retiree or an active person who's being asked to vote on the plan. And with the help of the Retirees' Committee actuaries, we put together some charts, which are attached to the forms of

ballots that we filed last night, and it sort of shows a person how COLA can affect what their pension might be over time. We hope that's helpful and illustrative information for the people that are being asked to make decisions.

Those are the most important things we're asking for in this motion, your Honor. We're also asking for some ancillary things that any solicitation motion would ask for, things like a record date of March 1st. It's a fairly complicated matter actually, your Honor, to cull the data from the systems, from the Retirement Systems and from the city systems, so we tried to pick the last easy cutoff date, which is the beginning of the month, that we're pretty confident we could get accurate data for as the record date. And I believe the parties are in agreement about that.

We also proposed special tabulation rules. Again, we're not asking them to calculate their own claims. We will do that for them. So those kinds of things are reflected in the tabulation rules that we propose. And we also have agreed among the parties to claim amounts for purposes of voting only. Again, the actuaries have gotten together. They've been working very collaboratively, the actuaries for the Retirement Systems, for the city, and for the Retiree Committee, and so we have generally agreed-upon methodologies and things, so that has allowed us to come to things like an agreed-upon claim number for voting purposes, and that is

reflected in what we filed last night as well.

I certainly don't propose to go through this chapter and verse, your Honor. I know that you've read it. I know that we filed blacklines. So I think at this time I would ask if your Honor has any questions or any concerns or any things that you would like to see changed with what we propose to do.

THE COURT: No. I'm generally satisfied subject to any remarks by others here.

MS. LENNOX: Okay. Thank you, your Honor.

THE COURT: Would anyone like to be heard regarding this matter?

MS. NEVILLE: Yes, your Honor. Carole Neville on behalf of the Retiree Committee. Your Honor, we did work very long and hard on a special disclosure section for the retirees. It turned out to be 29 pages long, and we divided it in half, so each of PFRS and GRS gets 15 pages. There's still problems with it, and, in particular, I'm curious about what Ms. Lennox said because I'm looking at the retiree ballot, and it has a worksheet on it. Yes. We took your Honor's admonition that creditors want to know what they're getting and when they're getting it very seriously, so we had a space for the calculation of the claim and a methodology for doing it. We had a space for what your existing pension would be with cuts, with the DIA contribution and the state

contribution and what your pension would be without it. I'm looking at the ballot right now, and it has worksheets for the retirees. May I show it, Ms. --

MS. LENNOX: I have it.

MS. NEVILLE: The calculations? Okay. The worksheet then would be filled in, but it doesn't --

THE COURT: Right, yes. She said that.

MS. NEVILLE: -- actually say that. Okay.

THE COURT: Okay.

MS. NEVILLE: One of the things that -- the plan has changed substantially since the last filing, and last night before I got the -- before they filed the amended, I just highlighted all the changes that need to be made. And we haven't had a chance to look at how those numbers play out, but I mean you can see, your Honor, that there are pages and pages of examples, all of which change now because the investment assumption has changed and other things have changed. The amount of the cuts have changed. One of my colleagues found a number of inconsistencies between the plan and the ballots. We need to really straighten that out before these get sent out.

But the critical thing, I think, is -- well, there are two major missing things. One, the ballot on OPEB and the notice on OPEB provides absolutely no information about what retirees' healthcare will be going forward. What the

plan, the notice, and the ballots say is that the city will create two VEBAs. The VEBAs will get funded with some amount of note, and the trustees will give you some amount of benefits over some period of time, but we're not telling you what it is or what you'll get or when you'll get it. And on just the basic standard of tell creditors what they're going to get and when they're going to get it, it doesn't meet the standard for OPEB.

On the pension side, we have a real issue with ASF. If you have heard the press reports, you will know that people are viewing the GRS treatment as a four-and-a-half-percent cut and elimination of COLA. There is a very substantial recoupment program in the plan now involving the ASF, which your Honor once ruled in In re. Dunn was property of the pensioner. The plan proposes to take the 20 percent of the highest balance of each of 75 percent of the pensioners from them and put it back into the defined benefit plan. There really isn't clear disclosure about that. Nobody has valued it, nobody understands it, and it significantly reduces people's pensions. The ballot says we're going to tell you what the number is or the number is going to be based on a chart. The chart isn't there. I know that the city has those numbers, but they're not supplying it now to pensioners. It can be quite substantial to the bus driver who spent 30 years putting money into the ASF account.

So there are two very serious flaws in the notice and in the -- and the ballots on the retiree notice, and we'd like to have those clarified before they're approved.

THE COURT: Thank you. Would anyone else like to be heard?

MS. PATEK: Good morning, your Honor. Barbara Patek, Erman, Teicher, Zucker & Freedman, on behalf of the Detroit Public Safety Unions. We got the amended materials late last night, and we have been in communication with the city both last night and this morning. And, as a general matter, I agree with the characterizations that the group of retiree and actives have worked very hard to try to come up with something understandable. We are fine with the record date of March 1st. We've agreed in the manner in which our voting claim amounts will be determined. We have two issues which I think will be resolved, but I just want them on the record. And the first is there is an explanation of the release that is going to be given, and as that language is in both the notice and the disclosure statement, which you'll hear about later, it is broad enough to suggest to active employees that they may be giving up certain future employment rights. In my preliminary communications with Ms. Lennox last evening and this morning, it sounds like conceptually the city agrees that that's not what's intended, and we're going to address that issue, but it does have to be

addressed.

The second major issue is, like COLA, the active employees who have fully supported the efforts to see the retirees' benefits returned, as has happened over the last week or so, are affected in a different way by the cuts, and that is by their -- as of June 30th, whatever they've accrued in the old plan is going to be frozen, and they're negotiating and hopefully will get to agreement, but at this point we're still in mediation, on a new pension formula that will be less generous. And we've asked for some explanation of that. There's a placeholder in place. Ms. Lennox informs me the calculation is not complete. I don't want to bore the Court with exactly what it means because I'm not sure I understand it, but it's similar to COLA, and we also want some brief plain language explanation.

And then the only other thing -- and this was -- I think has just got lost in the translation -- is on page 8 in the first full line there are, in fact, five labor unions who've appealed this Court's ruling, and it says two, so that's a very minor clerical point that I'm sure we can address, and those are the comments of the public safety unions. Thank you.

MS. CECCOTTI: Good morning, your Honor. Babette Ceccotti, Cohen, Weiss & Simon, LLP, for the UAW. I'm not sure whether this goes here or in the disclosure piece, but

since the motion does concern the plain language insert, I'd like to just note for the Court that we have a discrete issue that we have been talking to the city about concerning the disclosures with respect to the participation by employees and retirees of the Detroit Library Commission in the GRS, and we have asked for some additional disclosures in the main document, which you may hear about later, but we have asked the city to include a notification in the plain language insert as well just to make sure that those folks who are getting these packages have an explanation as to why they're getting it. I haven't written the language yet. Ms. Lennox I think agrees in concept, and I'm going to try and pen it while we're still here, but I just wanted to let the Court know that we anticipate hopefully a short excerpt in addition to what you have before you.

THE COURT: Thank you.

MS. DEEBY: Good morning, your Honor. Shannon Deeby for the Detroit Retirement Systems. Our comments will be very brief. Our issues with the plain language inserts is that despite the best efforts of all of the parties, they are still too long and too complicated. We would ask for additional time to continue to work with the city to make them more succinct and easier to understand.

THE COURT: How much time?

MS. DEEBY: As they were just again subsequently

modified last night, I think that we would be able to continue to work and try to do it in the next two days hopefully. Particularly defective with both the releases and the -- I'm sorry -- with both the inserts and the ballots are the explanations related to the releases. Under the plan, the state and other third parties will be given releases by any retiree or employee that accepts the plan even if the state does not pay the state contribution due to a cramdown. And if the Classes 10 and 11 vote to accept the plan, anyone who votes against the plan is still bound. And while we recognize that these are Dow issues and the legality of that can be addressed at plan confirmation, the ballots and the plain language inserts should disclose more clearly both the breadth of the release, the expense of the release, and exactly what is being given up.

We would suggest modified language to the ballots for the box language. On pages 5 and 6 of the ballots as well, we would expand the description of the releases to include the language that's in Footnote 3 of the Class 10 ballot and Footnote 6 of the Class 11 plain language insert where the breadth of the release relating to releasing of claims and liabilities under PA 436 and any statute that replaces it would be moved into the ballot so that people understand exactly what is being released and what claims are being affected by those releases.

And then in addition, minor issues would be that the ballots currently contain parentheticals that just say hard freeze without any explanation. I'm sorry. The inserts contain that. The ballots have blanks with respect to that explanation. They need to be completed. And then we think the COLA charts are confusing and would need to be either supplemented with some kind of bar chart of a line graph just so that people understand the effects.

THE COURT: So you want all that additional information but fewer pages?

MS. DEEBY: Understood with the difficulties, your Honor.

THE COURT: Anyone else?

MR. PLECHA: Good morning, your Honor. Ryan Plecha, Lippitt O'Keefe Gornbein, on behalf of the retiree association parties. Just to go a little bit further from the comments of Ms. Deeby, we would like the ballot to be clear whether the "yes" vote is conditional on anything happening relative to the plan, whether it be confirmation, acceptance of the class, or whether the money comes in, so we would like that expressly stated in the ballot.

On a more mundane note, we do request that the city remove the request for Social Security numbers as it's currently stated as optional. This puts retirees at a high risk for identity fraud, which they're already more

vulnerable to in the first place. Thank you, your Honor.

THE COURT: Thank you. Ms. Lennox, let me ask you before you respond to any of these particulars whether you think there would be value in continuing this motion until 11 o'clock on Monday to give you one further opportunity to attempt to work out these issues with the various counsel.

MS. LENNOX: Happy to do that, your Honor. In fact, a lot of the issues have been outstanding for a couple of weeks, and I haven't received comments back, so if people are prepared to give me comments now, I'm happy to take them.

THE COURT: All right. I'm going to order that then. We will adjourn this motion until 11 o'clock on Monday. Not sure what the courtroom will be. We'll have to make an announcement regarding that.

Having said that, however, a couple of things I want to -- I want to focus on. One is do we really need Social Security numbers?

MS. LENNOX: You know, your Honor, I'm happy to --

THE COURT: I'm concerned about it.

MS. LENNOX: I'm happy to remove them. My only concern is it's a quality check between how we're going to populate the ballot and who's returning it, but if your Honor feels strongly -- remember, these ballots are not going to be made public, so -- but if your Honor feels strongly about that, we are happy to remove it. We are not looking to cause

problems for folks.

THE COURT: All right. Let me ask you to --

MS. LEVINE: Your Honor, one of the things that we might be able to do -- just apologize -- is match the last four numbers the way, you know, like lawyers identify themselves, and that way you don't have identity theft consideration.

THE COURT: Oh, okay. See if you can work out some quality check that doesn't require a disclosure of the full number then.

MS. LENNOX: Certainly, your Honor. Happy to do that.

THE COURT: It struck me that several of the comments that want additional information in the ballot turn the ballot into a kind of mini disclosure statement.

MS. LENNOX: Which is the purpose of the plain language notice.

THE COURT: Right. So I can't say that I'm in favor of that.

MS. LENNOX: Okay.

THE COURT: If you work out language that everyone agrees to regarding a ballot, okay, but it seems to me that the best ballot is one that is as clean as possible.

MS. LENNOX: Agree, your Honor.

THE COURT: Beyond that, I will see you and whoever

still has objections unresolved at 11 o'clock on Monday on this matter.

MS. LENNOX: Thank you, your Honor.

THE COURT: Courtroom to be announced. And in that regard, I will -- I hope that you will use the opportunity that's presented here today to continue your discussions.

MS. LENNOX: We will, your Honor.

THE COURT: Okay. Let's turn our attention then to the motion to amend the solicitation procedures order filed by Assured and others.

MR. KOHN: Good morning, your Honor. Samuel Kohn of Chadbourne & Parke on behalf of Assured Guaranty and Municipal Corp. First of all, your Honor, on behalf of the movants, we really appreciate your Honor's scheduling of the motion on short notice so that this issue coincides with the disclosure statement and the ballots as we believe that this is an issue that needs to be clarified in the disclosure statement and particularly in the ballots so voters don't get confused about what's going to happen.

Your Honor, I'm first going to say that the plan objection death trap is different -- is described -- if your Honor takes a look at it, it's different than the city's peace offering.

THE COURT: Let's push the pause button here and see if you can think of a different word.

MR. KOHN: Okay. The coercive effect upon creditors to make decisions pre-confirmation, and particularly this relates to the city's argument that this is a plan objection. A plan typically gets confirmed, and there's a confirmation order. And Section 944(a) says that a confirmed plan is binding on creditors and debtors -- and the debtor. What the city is trying to do by inserting a provision in a plan is to bind -- effectively bind creditors pre-confirmation. So while they may say that this is a plan issue, it's really, your Honor -- if your Honor approves the ballots and approves the disclosure statement the way it is, your Honor is binding the creditors from making their choice, from objecting, the fundamental right to object to the plan. That is a coercive effect on their voting. The trustee is going to speak a little bit more about the mechanics of why it doesn't work and how -- what decisions the voter has to make. For instance, I'll just give you one example. I don't want to -- but the trustee is going to deal with it, but one example is this. Here is a creditor, gets a ballot, sees the language on the ballot, whether they're going to make an election or not, and then they think for a second, should I object or should I not object. Wait a second. The class has to accept, so wait a minute. Okay. So if the class has to accept, that means I won't know whether the class accepts until after the voting deadline. So the class has to accept.

I may not -- if I don't vote for the plan, my election won't count because the ballot will be -- as the ballot is written now, that ballot will not count at all, so if I vote "yes" or vote "no," well, it doesn't make a difference because the class -- it depends on the class voting, and then I have to wait until after the voting deadline to see whether my election is going to be effective, that I'm going to get the new existing rates, the higher rates. So what happens is is that they will -- if they want to, they can participate in discovery during May and June. They can file an objection May 1st or they can or they cannot file an objection May 1st. And they participate in discovery. They file supplemental objections. And then they have to see whether their objection -- whether their election is going -- they're going to get the higher rate. And so, therefore, this is all a question of pre-confirmation. It's not a question of a confirmed plan. It's a question of what's pre-confirmation.

Now, here's another thing. If, in fact, it turns out that the class does not accept but they elected and they were forced not to object, they get the lower rate at the end of the day because the class didn't accept. And, therefore, if the class didn't accept and they made the election and they were forced not to object even though 1128(b) says a party in interest may object without exception -- I don't see any exceptions there -- they may object, but they were

prevented from objection, and they're going to get the lower rate at the end of the day. That is totally coercive, but the trustee is going to speak more about individual creditors and their decision about that. But it's very interesting that of all the research and all the cases and even the cases that the city cites, there are no cases -- there's only one case that actually talks about the coercive effect of not being able to object to a plan, and that's a Chapter 9 case, and that's Mount Carbon. It was a standing case, and what happened was that the debtor decided at the last minute that this recalcitrant creditor was a counterparty to an executory contract, and the plan provided that they'll assume the contract. Okay. Then the debtor goes and says can't object, you're not impaired. Guess what? The court says, no, you may not be able to object to the treatment of your claim, but you can object to feasibility. You can object to good faith. You can object to best interest. You can object to fair and equitable, to cramdown. Those are the kind of objections you can always object to. Even the cases that say, okay, if you're unimpaired, you can't object, none of them actually -- very few of them -- most of the cases say you can object on all other grounds, and so we've looked at Zenith, and we've looked at the Drexel case that the city cited. In both of those cases, first of all, they were voting issues and not objection -- not saying you can't -- notwithstanding 1128(b),

you can't object. That's not what they said. They said that -- here was the choice that the Zenith creditors got and the Drexel creditors got. They're totally out of the money. They got zero distributions. They're very down in the pecking order. So what happens is the plan said, you know what, I don't want to fight about this. I'll give you a little bit of -- a little bit of a distribution, so here's their choice in Zenith and in Drexel. The choice was either you're deemed rejected under 1126(g) because you're not going to get any distribution or I'll give you a couple of dollars, and you can vote for the plan. So it's not a coercive -- there's no coercion there. I have a choice between zero distribution and getting a couple of dollars and voting for the plan. In both of those cases, you know, some people say that -- and the city says that MCorp and Mount Carbon and Allegheny and all those cases are different -- are the same as Drexel and Zenith, but they're not because Zenith -- first of all, Zenith -- the city says that they're all confirmation cases. If you look closely at Zenith, it was a pre-pack, so, yes, it was a confirmation, but it was also a disclosure statement case as well because in a pre-pack we all know the Court was deciding whether the disclosure statement was proper then as well. But barring that aside, it is not -- it is not at all analogous in Zenith because there was no -- there was no coercion, and it's not an objection. It's not a

violation of 1128(b). It's a question of voting, and it's a question of being out of the money and then getting some sort of -- I don't want to use the word "gift," but some additional distribution.

And here's one of the most important things. And by the way, this issue of pre-confirmation plan provisions, a debtor could put anything in a plan and say, "Oh, it's a plan provision. We have to deal with it at confirmation, not now." Well, guess what? There's impairment cases that are decided at the disclosure statement case -- stage. There are classification cases that are decided earlier than the plan stage. There's also individual cases where we're not talking about -- of course, your Honor issued an order, and we're not talking about that the plan is totally patently unconfirmable. We're not discussing that. We're talking about a specific provision, one provision. And there is a case, Bennett Paper Corp., out of Missouri, Eastern District of Missouri, 68 B.R. 508, 1986, where the Court at the disclosure statement stage said, "Hey, you know, you were going to grant a release to the parent guarantor, and guess what? I don't know -- I don't think it's going to pass muster, and it's not proper to include that provision in a disclosure statement because it's going to mislead creditors that the provision is going to be valid." That's what the Court said in Bennett Paper.

And one of the most important things I just wanted to say is that the coercion not to object to the treatment -- and the trustee is going to go more into it; I hope I don't steal all their thunder -- is there are hundreds of CUSIPs. That means there are hundreds of classes. One creditor in one CUSIP out of the hundreds, if they check off to elect on the new existing rate, they forego the right to object on any other basis for any other claim that they have. If they have a claim in a different category or in a different class or some other claim, they also forego the right to object to feasibility, and this is what was so important for your Honor. And tomorrow we're going to be here several hours looking at the feasibility issue, and Mount Carbon actually articulates the issue of having an adversarial process to determine some of these big confirmation issues as so important that the debtor's gerrymandering of their -- of this counterparty's treatment is improper and can't be used for them not to object to such important issues.

I know there's others that want to talk more about it. If your Honor has any questions, I'd be happy to answer them right now.

THE COURT: Thank you, sir.

MR. KOHN: Thank you. Thank you, your Honor.

MR. CHRISTY: Good morning, your Honor. Tom Christy, Garan Lucow Miller, on behalf of Berkshire Hathaway,

the co-movants. For the most part, we concur in everything that Assured said. Just two points. First of all, Detroit's response contained a point unique to Berkshire Hathaway. Their Footnote 3 said that it's moot as to Berkshire Hathaway because of certain language we requested in our objection to the disclosure plan in paragraph 33 of that objection. They said that bears on this motion and essentially makes it moot as to us. We have agreed to withdraw the offending sentence from paragraph 33 of our objection so that that argument no longer applies.

But getting back to the big picture and just adding to what Assured said, I think there's an important distinction to be made between a voting trap -- and I'll avoid the word "death" -- there's an important distinction to be used between a voting trap and a plan objection trap. When you vote on a plan, you can vote on a plan for any reason you want. It's capricious. I don't like the plan for my own reasons. That's it. It's one thing to say you can include a provision in the plan to give up that capricious right. It's another thing when it comes to objection to the plan, which is going to be based on the objective standards in, for example, 943 in Chapter 9 or the provisions of 1129 which apply. You're not saving the Court any litigation. You're going to have to make your own independent determination of whether the plan meets those standards. And

essentially you're -- this isn't inducing a creditor to give up their capricious right. This is causing the creditor -- it's trying to suppress the creditor from giving the Court information that may help the Court make its determination that this plan doesn't meet the standards. And I think for policy reasons, you don't want to encourage suppressing people bringing to your attention this may not meet the standards of 943 or 1129. And I think that's -- furthermore, if you look at the language of the two statutes, if you compare 1126 to 1128 -- I mean 1128, your Honor, is one of the simplest statutes in the entire Code. 1128(b) is only 11 words. "A party in interest may object to confirmation of a plan." There no exceptions there. That's completely unlike voting. If you look at 1126, there are plenty of cases where Congress has provided that a creditor loses its right to vote, you know, for example, because it's not impaired or whatever. I mean Congress understood there's certain cases where we don't want a party being capricious. 1128 is absolute for precisely the reason that we want to make sure that the Court has all the attention -- all the information brought to its attention that it will need to make its determination. Thank you.

THE COURT: Thank you, sir.

MR. LEMKE: Good morning, your Honor. David Lemke of the Waller Lansden firm. I'm here on behalf of the U.S.

Bank, which is the trustee for the water and sewer bondholders. And, your Honor, so when I'm speaking up here today, I am really trying to speak on behalf of all of the multiple bondholders that we have in this case, and I think we've pointed out in the past that there are 377 CUSIPs, which means there are 377 classes of bondholders, voting classes of bondholders under the plan. There are thousands of bondholders within those 377 CUSIPs, maybe tens of thousands. There are a lot. It's safe to say that most of the bondholders are not in this room nor do they have counsel in this room and that most of them probably do not have counsel at all, and so they need to understand, among other things, exactly what the plan is proposing and what they are voting on.

If you look at the cases that have allowed these types of elections -- and I won't use the term you don't like, but these types of elections, you vote in favor of the plan, you get one thing, which is maybe better than what the debtor has to give you if you don't vote in favor of it and the debtor can cram you down. And those are generally allowed because they appear to be encouraging parties to vote in favor of the plan and avoid a confirmation fight, but this election doesn't do that. It does not design to encourage favorable voting on the plan. In fact, it chills the voting, and here's why. You have to make the election whether you

vote "yes" or "no," so you're a dissenting holder who says, "I do not like the plan. I don't want to vote in favor of it, and I'm voting no. And I'm now I'm forced to make yet another election, and the purpose of that election is simply to make me decide as a dissenting holder whether or not I want to waive these important rights that are given to me under the Bankruptcy Code, which counsel has previously argued about, and be heard by the Court and present evidence to the Court on whether or not the plan should or should not be confirmed on a dissenting class, or I can vote to take potentially more favorable treatment if the plan gets confirmed but only if the plan gets confirmed and it turns out the rest of my class has accepted the plan so that the class accepts. So I'm a holder who ends up in a situation where I have voted no. I don't like the plan. I'm going to end up with a cramdown interest rate if the plan gets confirmed and my class dissented, but I may have waived the right to be heard before your Honor on why the plan should not be confirmed," and that that is -- that is far and away more coercive in terms of these types of elections than you'll see in the cases that have approved them in the past.

What makes this election even more onerous is that the way the debtor has set it up, if I'm a holder and I have -- and I hold multiple CUSIPs or maybe I'm a holder and I not only hold water sewer bonds but I hold GO bonds or I

have another claim, if I make the election in one of those CUSIPs, I waive my ability to be heard on any of my other claims in the case, so this also has the impact of causing a waiver that is far more than just a waiver in connection with the particular class that I may be voting in, and that is certainly well beyond any of these types of provisions that you will see have been approved in any of the prior cases.

So the city here is not really attempting to come up with a consensual plan with this election. In fact, the city, I think, by making this election, it is probably causing holders due to, first of all, confusion as to exactly what it means and when they get to make it and what happens if they make it and whether the plan is confirmed or not confirmed, I think it will probably result in most of the holders who at least do not have the resources to engage counsel and try to explain this to them to not vote at all, and that is taking away the voting franchise in its entirety.

Now, that works to the debtor's favor because you only count the votes that actually -- or the only ballots that are voted, so they're hoping that some of the holders may vote "yes" and they'll make the election but that the opposition to the plan will not vote at all or if they'll vote no, they have this dilemma they don't understand and it just makes sense that, well, "I'm going to vote no. I might as well elect the higher interest rate in case the plan gets

confirmed," but that's not really the impact that it has on the holder making the election.

The other thing that this is going to do, as I mentioned, is there's already 377 CUSIPs. You could have a situation where each of those CUSIPs now has to be divided in half, and you'll end up with whatever double that number is, 674, and the reason that could happen is you could have a class that accepts the plan, but within that class you could have holders who either voted "yes" and for whatever reason elected the cramdown interest rate -- and there may be a valid reason for doing that; I don't know -- or you can have a holder who voted "no" and also elected the cramdown rate because they wanted to preserve their right to object. And so when that class gets approved or the plan gets confirmed, you will now have disparate treatment of the same creditors in one class, which is clearly what is prohibited and what the Code is trying to prevent when it requires similar treatment of creditors in the same class. You will now actually have two different treatments for these holders that end up in the same class if that works out. Now, you won't -- if the class doesn't accept and the debtor has to go to a cramdown route, then everybody, whether they voted in favor of the plan or not or whether they made an election to have the existing rate or not, will not get any of that. They will end up getting the cramdown rate.

So, your Honor, for all of these reasons, we would ask that the -- that this election actually be stricken from the plan as currently drafted in terms of it requiring or causing a waiver of the right to object, and we agree -- I agree with counsel before me that it is a disclosure statement issue or at least should be resolved at this stage because if it goes out in the plan and it goes out in the ballot, in essence, the debtor has won because the holders will not know whether or not that waiver is going to be struck down by the Court at the confirmation hearing, and they'll have to make their decision and make their election without actually fully knowing or even understanding how this is all going to play out at confirmation, so it is something we're asking the Court to make a ruling on prior to the approval of the disclosure statement going out so it's very clear to the holders what exactly is going to occur to them based on the election. Thank you, your Honor.

THE COURT: Thank you.

MR. KANNEL: Good morning, your Honor. William Kannel. I represent three of the bondholders of the DWSD ad hoc water and sewer bondholder committee, so the important point there is I represent bondholders, and I'm in the room. And I can tell you that we do not like this -- I'll try and not use the word my colleague, Mr. Kohn, called, but this sort of if you elect you can't object feature. So there are

approximately 377 CUSIPs, as Mr. Lemke said. I represent three clients who between them own about 700 million of the water and sewer bonds. They have an average of 28 CUSIPs each. They are not going to, given the way the current plan is drafted, waive their right to object to the plan, so, as a result, this box to elect the existing rate, which is only effective if the class also votes, is going to cause them to vote against the plan and not make the election. And I assume that would be the case for every other bondholder -- water and sewer bondholder who finds the case objectionable. So to me the most pernicious feature is even if there is one CUSIP where this might be attractive, it becomes unattractive because of the nature in which it causes you to waive your right to object across all the CUSIPs and all the classes. Thank you, your Honor.

THE COURT: Thank you, sir.

MR. PEREZ: Good morning, your Honor. Alfredo Perez on behalf of FGIC. Your Honor, I just want to make sure the Court understands the breadth of this election. We insure about $500 million of DWSD bonds. If we assert our control rights and vote in favor, we would lose all our objections on the COPs, so it's not just across all the DWSD bonds but any other plan objection.

THE COURT: Thank you. Anyone else in favor of the motion? And who for the city, please?

MR. BRUCE BENNETT: Good morning, your Honor. Bruce Bennett of Jones Day on behalf of the city. I think there's a lot of points I have to cover, but I want to start with the most simple and most basic. I'll probably end in the same place.

Anyone who wants to object to the plan shouldn't be making the election, period, end of story. What's going on here? Clearly the -- what we referred to as the peace offering intentionally choosing the, you know, language of what we're trying to do here, which is make deals, obviously the peace offering is attractive and people want it, and people want to be able to elect it, but they want to elect it without consequences. And when Mr. Kannel spoke, he revealed another thing that we clearly know is out there, which is that whenever you have to work with 330 CUSIPs -- and we didn't want to do it that way, but as a result of discussions with the creditors, we did break them into each one in its own class -- we determined a kind of rule that we're applying across the board. And some people like the treatment in some places, and they don't like the treatment in other places. And quite frankly, it is, in fact, the city's intent to force people to look at the deal as a whole and to say, "Do I like it or do I not?" as opposed to saying, "Gee, you got this one a little bit high, so I'm picking on that one, but I'm going to fight about a whole bunch of others." And so we

understand that it would be far easier for holders if we deleted the peace treaty and just left the peace offering, allowed people to pick it where they liked it and to come into court and fight and create a big confirmation battle if there were other parts that they did not. We think the peace -- we think the peace offering is so attractive at the end of the day economically to a bondholder because it gives it the right to retain a higher interest rate --

THE COURT: Well, but do they get the peace offering --

MR. BRUCE BENNETT: If the --

THE COURT: -- just because they elect it?

MR. BRUCE BENNETT: If the class accepts the plan, they get the peace offering.

THE COURT: So the answer is no.

MR. BRUCE BENNETT: They might or might not, and --

THE COURT: Isn't that the problem?

MR. BRUCE BENNETT: Well, if that's the only problem, I can fix that, but if the class --

THE COURT: How would you fix it?

MR. BRUCE BENNETT: If we can basically say that the promise not to object only applies if the election actually becomes available, so we can tie that to class acceptance. And if it turns out that a party has opted in and the rest of the class disagreed with them, which I think is unlikely

because this is kind of a math problem that I suspect everyone who does it is going to come out the same way, but in the unlikely event that someone chooses to make the election in a class where everyone else in the class disagrees with them and, therefore, rejects and doesn't want the election, then to the extent they waive the right as a result of that election, we'll give them back their right. I can accept that amendment. No one suggested it before this hearing, but I am prepared to address that issue.

And, in fact, I want to say something else, your Honor, that this is a group we have not made a deal with. We're trying to have some negotiations. It's been very fits and starts and difficult, and this door is still open. We are -- if there is a -- if there are ways to make this easier while preserving the city's desire to get through confirmation hopefully without any battles at the end of the day, that's what we would like to do. But on this point, the -- this is -- first of all, assertions that this is too complex and that anyone would be confused, frankly, are out of place. We have had a disclosure statement process where these provisions have been in for awhile. They're not brand new. Everyone had an opportunity to object to our proposed changes with respect to the disclosure on these questions. And to the best of my recollection, after a five-hour phone call and a whole bunch of opportunities for people to provide

changes in the disclosure, there were none addressed to this particular question at all. It turns out when we get to the disclosure statement hearing, your Honor is going to hear that we're going to need some more time to do a bunch of different things. If there are suggestions for additional language or different language or if anyone thinks this really is confusing, which I don't think anyone really thinks it's confusing, we ought to see a multitude of changes, and we'll, of course, adopt them because it is not at all in the interest of the city to have this be confusing in any way. But to the bottom line of the legal issue, first legal issue, is this a confirmation issue or a plan solicitation issue. It's a confirmation issue. What we are doing is we're making an offer in the plan. We're making an offer. No one has to accept it. And their assertion is the inclusion of this offer in the plan renders the plan unconfirmable. That's what the assertion has to be. And that's, frankly, a confirmation issue. And we say point blank in our papers if there are people who are looking at this option -- remember, the whole reason we have this debate is people are looking at the option and they like it. They think there's good money in it for them to pick it versus the basic treatment that's proposed in the plan, and they're looking at it, and, yes, there's a consequence. There's a peace treaty aspect to it that if you want the peace offering, you're going to have to

take the peace treaty, and you're not going to be fighting with the city anymore about anything. And if it's hard for you, maybe you should really think hard before you decide to take the election, but there's no confusion about what the consequence of the election is, and there's the right to say, no, I'm not going to elect. And there's also the other option, which is between now and then to talk about it.

So, number one, it's a confirmation issue. Number two, very important part of this hearing -- I tried to make this point in the papers -- everyone wants us to propose the choice. Everyone agrees that this is a sensible settlement and that it's okay to make it contingent on acceptance of the plan. That's the trap problem. The trap problem is the fact that the election -- the availability of the election is contingent upon acceptance of the class, and cases say that's okay, and they admit the cases say that's okay. This entire fight is about the election is good, but they wish it was better. That's what the fight is about. So we don't think there's any legal issue. We think it's a perfectly appropriate use of tools that other Bankruptcy Courts have proposed over and over again. We fully understand that the option could be better if it didn't have the peace treaty element. We fully understand that some people might choose to not make the election as a result of the existence of this provision, and, frankly, your Honor, no matter what people

say while standing at the podium today, we don't actually know what they're going to do because we have in this situation something that I call the tender offer problem. And I call it the tender offer problem because in our laws if you make a tender offer, you have to leave it open for a certain period of time. You can't say tender stopped tomorrow. You have to say tender stopped after a certain number of days. I think it's 20 business days. And the reality is is that if you go to a holder of stock -- and let's say you propose ten dollars, and you go to a holder of stock, and you say, "Are you going to accept my tender offer on day one?" they're going to say, "No. I want 11." And, frankly, if you have that conversation on day two or day three or day four or day five or day six all the way up to day nineteen, the answer is going to be, "I want 11 or I want 12." It's not going to be ten is okay. On the deadline you find out whether ten was okay. And I think that's the problem we have here. So it's very easy for Mr. Kannel today to say, "I got 28 average CUSIPs, and I'm going to hate it as to one of them, so we're going to say no," but when the traders sit down and get out their calculators and figure out what the election is worth with respect to their average of 28 CUSIPs, we hope -- and, in fact, the people represented by Mr. Kannel are very, very smart and very, very careful -- that they're going to run the numbers for all 28 CUSIPs, and

they're going to decide whether it's net good or net bad. And the reality is it's going to be net good.

So we think your Honor should not change the solicitation procedures. It may or may not turn out that we'll have an objection actually filed at confirmation that this was an inappropriate choice. Remember, it's not inappropriate that there is a choice. No one says that. It's that the choice was constructed inappropriately. We may have to deal with it then, but much will happen between now and then, and we're hoping to have a broadly consensual plan that involves many people making what is a very beneficial election. If you have any questions, your Honor, I'm happy to answer.

THE COURT: No. Thank you, sir. Replies, please.

MR. KOHN: Thank you. Again, for the record, Samuel Kohn of Chadbourne & Parke, on behalf of Assured Guaranty Municipal Corp. Your Honor, I just want to make two quick points. Number one is that, first of all, with respect to the city's new peace offering trap, whatever, that what I heard Mr. Bennett say is that if they don't get the higher treatment at the end of the day because the class didn't accept, they will waive their issue of objection, so how does that work? They still won't know when their -- they have to -- the deadline is June 30th; right? When the class accepts, it's still a coercive and chilling effect on voting

for the plan, so that's the first thing. I just don't understand how this new peace offering helps anything because they're saying retroactively now I could go ahead -- is the plan going to be extended into August that they're now going to have an opportunity to object when they know that they have the lower rate? So maybe that's what should happen. Maybe after June 30th when these voters find out that they're going to get the lower rate and now the city is saying, okay, now you can object, we should give them an opportunity to object, discovery, and do everything and push out the plan till September. That's the only way that's going to work.

But the second thing that -- point that I just wanted to make is this. The city and Mr. Bennett keeps on talking about that we like the election. A little just quick history about this issue. This plan objection death trap -- sorry -- issue came about after we negotiated -- carefully negotiated, if your Honor would recall, the solicitation order, procedures order. And at the time we carefully -- we asked the -- we asked the city give us your form of ballot because the solicitation procedures order approves a form of ballot, so paragraph 7 of the solicitation procedures order was carefully negotiated to say that the form of ballot will be considered at the disclosure statement hearing, okay, because we didn't know. And then afterwards they come in and -- the city came in and inserted this plan objection trap

issue, so -- and so then the city files a motion on August -- I'm sorry -- on April 3rd to approve the form of ballots -- or April 2nd or April -- April 2nd and actually schedules the hearing for a disclosure statement hearing, which was then April 14th or thereabouts. And then your Honor asked the city for a form of order. We called the city that day, and we asked them, "We have these issues with the ballots. We have some minor modification issues, which hopefully we'll be able to stip to at the end of the day, but we'd like to talk to you about the ballots." Then your Honor asked them, we understand, for the form of order, but they didn't tell your Honor that we are clamoring and calling them about this ballot issue. And then your Honor entered the order approving the form of ballots, so -- and then we got -- we had at least four conversations about these issues. In the very first conversation about the ballot issues, it was universal. Whoever was on the call, whoever is represented here, asked the city to remove the election for all the reasons we're talking about today, and they refused. So it's disingenuous for Mr. Bennett to say we like the election. We asked them to remove the election, and we never stopped asking them. Thank you.

MR. LEMKE: Your Honor, David Lemke again on behalf of U.S. Bank. I will say I didn't fully understand the revised peace offering either, but I think I do now that Mr.

Kohn got up here. And I would say that if they want to -- if the city is really interested in this -- having this type of an election and they're trying to encourage holders to vote "yes," then it's a simple election. If you vote "yes" and your class accepts, you get the better treatment. If your class does not accept, you don't get the better treatment. And then the holder -- that's a simple election. That is an election that the holders -- all the holders can understand, not just the holders that might have traders, but the holders who don't -- aren't part of a large institution, either a small business or individual. Some of these holders may be the same retirees that were also concerned about making sure they understand what's going to happen with their retirement.

We have made suggestions to the debtor. In fact, Mr. Bennett is correct. We all sat through about a five-hour call and went through all of the various issues. We drafted very specific language that we asked them to put into the plan that at least explained the election. I mean we weren't agreeing to the election. We were saying but if it's going to be in there, please try to explain it this way. And it was rejected, and, you know, we're happy to have another conversation with counsel about that and intend to if your Honor says that the election can remain so that at least it is more clear, but we are certainly trying to make it so that everybody will understand. What this election really does is

all it does is gives the debtor two bites at not having a contested confirmation. One is people vote in favor of the plan, the class accepts, they don't have to cram down. The other is the voters vote no against the plan because they don't like it, but they make this election, and they waive the right to object, so even though the debtors have to cram down on that class, there will be nobody there to actually oppose the cramdown, and it will be just a one-sided, if you will, lopsided hearing in favor of the debtor after all the holders have, unfortunately, waived their objections perhaps without even understanding what they've done. And they have done that across CUSIPs, across holdings, and with respect to the entire claim if they have multiple claim levels. That's all I have, your Honor. Thank you.

MR. BJORK: Yes, your Honor. Jeff Bjork from Sidley Austin on behalf of National Public Finance Guarantee. We joined in the motion, and most of the points were covered in the opening, but I want to address on rebuttal two of the points that Mr. Bennett raised. First of all, he says that this is a confirmation issue. Stripping folks through an election of their due process rights to object to confirmation is an issue for today. It's not an issue for confirmation. That's number one. Number two, he says that everyone agrees this is a sensible solution that offering a choice between having your call protection stripped and

having your interest rate reset based upon some curve that they'll prove up at trial is a comprehensive solution that everyone supports. You're going to be faced with first impression issues if this plan goes forward on this particular issue in terms of whether the debtor at the end of the day can cram down on special revenue debt in a solvent system. That's the issue that's going to be before the Court. And the idea that right now the debtor can, through voting, disenfranchise voters, take away their right to object by saying that you have a choice between having this impairment or that impairment is -- it really rings hollow, your Honor, and we ask that you strike it. I agree with Mr. Lemke's suggestion that there may be a way to address it where you have a typical incentive built in the plan. If you elect for a different form of treatment as a class, you can get that treatment. But I'm aware of no precedent in which the election could be tied to stripping a right to object on any and all other grounds with respect to the plan. Thank you, your Honor.

THE COURT: Anyone else? All right. The Court will take this matter under advisement and give you a decision on this at the same time as I adjourned the other matter, 11 o'clock on Monday. I am advised now that we can have this courtroom on Monday, so we will convene here. In the meantime, I encourage counsel to continue to talk to see if

you can come to some resolution of this. If you can't, I will give you my decision at that time.

Let's take our morning break now, and then we'll begin with the disclosure statement hearing. We'll reconvene, please, at 10:45.

THE CLERK: All rise. Court is adjourned.

(Recess at 10:26 a.m., until 10:45 a.m.)

THE CLERK: All rise. Court is in session. Please be seated. Recalling Case Number 13-53846, City of Detroit, Michigan.

THE COURT: All right. Let's begin our hearing on the disclosure statement.

MR. HEIMAN: Good morning, your Honor. David Heiman, Jones Day, for the city. I'm actually very pleased to be standing before you today because, at least in our view, this is a very important, a very critical day for hopefully what we view as the beginning of the last stage of this case. And I want to say at the outset it will not come as any surprise to your Honor that we've been engaged in around-the-clock discussions, negotiations, and the like on the very complex issues that challenge us all. And I want to say at the outset that -- maybe to some people's surprise, I want to acknowledge the wonderful cooperation, both quantitatively and qualitatively, we've received from virtually all parties in the last couple weeks, particularly

the last week or so with around-the-clock discussions. So what I would like to do, with your indulgence, your Honor, is to, as a prelude to Mr. Bennett's opening -- and I will only take a couple of minutes of his time, but just as a quick prelude, I thought it would be helpful to give you a brief status report not in lieu of the status conference by any stretch -- that would be obviously more specific as to issues presented -- but a status report on where we are in the plan of adjustment efforts, which obviously are directly related to the disclosure.

So the news is good, your Honor, and I'm very pleased to say that. We have made, in our view, very significant progress. Again, it's been in around-the-clock discussions with very important parties in the case and with everybody working day and night, and that is the reason why we were late. We missed our own target on the filing of the amended documents that were received yesterday, I think, at five o'clock or filed yesterday at five o'clock.

We are the first ones to acknowledge that that's not a lot of time for everybody to review the significant changes in the documents, and so what I hope -- in addition to dealing with the adequacy of the information that we can deal with today, I hope that Mr. Bennett will be able to present to you some ideas about how to deal with the shortness of time that we did provide and what we might do next, and he's

already, in fact, alluded to some additional changes, completion of blanks and things that we still need to do, so I want to say at the outset we understand that we still have work to do on the disclosure statement, and at least to us that's not a surprise, particularly where we've made so much progress so that even though we may not be on schedule to the hour or to the day, the delay has been worth it for what we hope will be a more efficient confirmation process.

I would like to thank the mediators in particular who have been instrumental in helping us get to this point. I could go into a lot of detail about that. Judge Rosen has been tireless, and his whole team has been helpful, tireless, and unbelievably committed to this process and to the City of Detroit. So we are very grateful to them and, again, to all parties who have sort of laid down their swords somewhat and have began to talk about the real business of the case, to try to get the City of Detroit into an early exit from this bankruptcy.

So with that I will just touch upon where I think we are with some of the parties on progress made. I want to be especially careful here, and I think all the parties are represented by counsel. I do not want to overstate the progress. I do not want to put anybody into a position where they feel that they have to come up and say, "No, we didn't agree to that," or, "We didn't agree to that." I do believe,

however, that you will find -- I hope you will find the disclosure hearing today a much less contentious one because of it. So if I may, I will just touch upon the areas that we have some agreement or near agreement.

MS. LEVINE: Your Honor, before counsel proceeds, we would just object to the extent we're going to go into anything that would go into or touch upon confidential mediation sessions.

THE COURT: I'm sure Mr. Heiman will be very sensitive to that. Yes?

MR. HEIMAN: Absolutely. I'm not going to discuss the substance of any deals or discussions. In fact, the media seems to be ahead of me on some of that, so whatever was confidential in mediation was presented to me through the media, so, anyway, obviously the swap claims were settled with your Court's ruling last week, so that's a big plus, finally, we can say, and we're pleased that we have that now in tow.

We also have an agreement with the UTGO monoline insurers that is a very important resolution for us. Obviously it's subject to the Court's approval and confirmation. It is the subject of a term sheet that was attached to the amended documents, and it's subject to a formal agreement, a draft of which I've been carrying around in my briefcase for the last several days, so we need to get

to that. So we're not dragging our feet on anything there. It's just the timing of it, so we can, I think, report very definitively that we do have an agreement there.

On the pension matters --

THE COURT: Give me one second, sir. One second. Chris -- Mr. Heiman, I want to see you and Ms. Levine at the side of the bench, please.

(Sidebar conference at 10:54 a.m.)

THE COURT: You may proceed, sir.

MR. HEIMAN: Thank you, your Honor. On the very important pension matters, first, with respect to PFRS, we have an agreement with the police and fire retirees association. That agreement is subject to refinement on language and the like, a straggling issue or two, but I believe we do have an agreement, very important agreement with them.

With respect to the PFRS system, it is my understanding that the trustees are considering our proposed treatment as we speak, if not have already considered, so we're hopeful on that front.

On the GRS system, we have the approval of the trustees, I believe, from yesterday. I think they issued a press release. Again, we are still working on some issues, and I don't want to minimize the amount of work that needs to be done, but we have a core agreement with them. Again, it's

reflected in the plan, and if I didn't say that with respect to PFRS, our deal there is reflected in the amended documents.

Finally, we have had very -- again, I have to be careful about how I characterize this. We've had very serious discussions with the Retirees' Committee and have made very good progress, and we hope to continue those discussions. In our hope, we'll work very hard to try to conclude those discussions prior to the filing of the next amended plan of adjustment.

And that is it. If you have any questions, I'll be happy to answer them.

THE COURT: Thank you, sir.

MR. HEIMAN: Thank you.

MR. BRUCE BENNETT: Your Honor, I'll try to be as brief as possible. As Mr. Heiman indicated, there's been some moving pieces over the past several days, and this is reflected in the revised disclosure statement that was filed yesterday evening. Those who spent much of the night reviewing the disclosure statement no doubt noticed that there are blanks, and the more perceptive among them may even notice that there are some numbers in the existing draft that probably need to be revised in light of the agreements that were reached. This is true. And so what I think the -- and, in addition, the one other thing I will say is that we are

also optimistic that in the next several days we may be in a position to announce further agreements and, of course, make changes to the plan to implement those agreements.

When we originally set up the schedule -- when your Honor originally set up the schedule for the hearing today and the events that follows, the contemplation was that we would accept your Honor's rulings on the disclosure statement today and churn them over the weekend to create a clean document on Monday, and that was contemplating that we really were at a place when we would be ready to mail something roughly ten days after Monday. What I would propose, in light of where we are, instead is today resolve all of the objections to the existing disclosure statement that we possibly can. Your rulings will be implemented obviously into the form of the disclosure statement. But I would prefer -- and if your Honor can accommodate us -- that we postpone filing a revised disclosure statement until Friday, the 25th. That will give us additional time to do a couple things we didn't contemplate. One, refine and more clearly set forth the settlements that have been reached. More significantly even than that, to update numbers and to insert some numbers that are admittedly missing as a result -- changes as a result of the settlements that were reached.

And then because it will certainly be true that in the version that is filed and circulated on Friday there will

be information that will be new, that won't just be the implementation of the Court's orders, we think it might be wise to schedule another date, and we're thinking about the 30th, which is the -- which is the following Wednesday, but that was more or less pulled out of the air. It could be Tuesday. It could be Thursday. And the effect of that, your Honor, on the rest of the calendar is to going all the way through --

THE COURT: What would happen on the 30th?

MR. BRUCE BENNETT: Pardon?

THE COURT: What would happen on the 30th?

MR. BRUCE BENNETT: It would be a hearing date that if there was -- that with respect to the new matter introduced, not the preexisting disclosure, not your Honor's orders with respect to the preexisting disclosure, but to the extent there were new settlements that get put in or to the extent new numbers are put in and the existing settlements are more clearly defined, people would have an opportunity to comment, make suggestions on the additions to the disclosure statement.

It is possible, your Honor, that that could be an opportunity for a hearing as opposed to an actual hearing if your Honor wanted to take a shot at making it optional. If there were any business to be conducted, then people would actually appear. We could probably do that. The effect of

this would be assuming that at that stage we get an order entered that day somehow, that we're in a position to make any changes that are needed because they will hopefully be small, we can minimize the disruption to the rest of the schedule to be a 11- or 12-day shift really depending upon whether a weekend is implicated. And I've prepared a list of the dates that would change or that would have to change. Others could change, but the dates that would have to change in light of this, using Docket Number 3632, which is your order entered on April 2nd, 2014. And I guess I can give people the dates now, and they can think about them, and maybe we can come back to them later. And, again, none of these are -- have to be the particular day set in stone, and obviously your availability, your Honor, is most important, but we tried to figure out how this would ripple through under the schedule that you had set forth. And so the date in paragraph 8 that's April 21 would become 25. There'd be a new paragraph 8(a) for another hearing, which would be April 30th or an opportunity for a hearing on April 30th. The May 1 deadline for mailing would be May 12, and that's in paragraph 11. Turning to page 3, the June 30th voting deadline would become July 11th. Paragraph 17, the July 11th deadline for submissions would be July 22nd. Mr. Gordon pointed out accurately last night that there is something else due on July 11th that is in the procedures -- it turns

out it's in the procedures order. It's not here. But we would have the same date change, which is the ballot tabulation would also be due on July 22nd, and so perhaps we'd have a (d) added to that paragraph so it would be clear. On paragraph 18, the July 14th final pretrial conference would be then July 23rd or 24th or thereabouts. Then the confirmation hearing would begin a day or two -- or, again, at your Honor's convenience, after the final pretrial conference. So on your additional dates that are necessary, we'd be able to pick up the July 28 to 31 and August 1. Hopefully we'll have enough agreements that maybe that'll be enough, but, in any event, I think that would -- if your Honor is inclined to give us the additional time to generate a new disclosure statement and to perhaps capture some additional agreements and give us to the 25th to file something, that's the impact on the overall schedule as best we can work it out preserving -- the most critical things that you have to preserve are the amount of time to get the mailing out because of how many pieces of mail we're talking about, the number of days to vote, and the number of days for the ballot tabulation agent to tabulate. Those are the periods that can't be shrunk very much.

Okay. Very few comments in the way of introduction because I think we should get to the objections right away. Before I forget, in the break, Mr. Lemke and I revisited the

language that he proposed, and we accepted it word for word, so the issues with respect to confusion with respect to the election are -- hopefully are resolved now.

With respect to the filing last night, I think it is true that the extent of blacklining in a lot of ways overstates the changes, and so I've picked out basically six or seven places where if your Honor would like me to, I can take you through some of the kind of what looks like really big changes and explain to you what they really are and what they really implement, and --

THE COURT: Okay.

MR. BRUCE BENNETT: And I think this will help because it will put in perspective what otherwise looks more significant than I think it really is. And for purposes of reference, I'm going to use the blackline version that is filed because I suspect that's what most people use, but I'll try to give the section headings so that people can get to the clean versions if that's what they're working off of.

The first place I would go to is page 12. It's in a filing -- it's page 219 of 408 because the blackline also included the plan blackline in one bundle. And this is a -- this begins a very long section of blacklining, and it is basically the substitution of the simpler language insert or simpler language version of description of changes that affect retirees. And so what you effectively have at this

point in the disclosure statement is pages -- again, using the blackline version and using the disclosure statement page numbers, pages 12 through -- it goes on quite a ways -- 12 through 27 inclusive is the disclosure material -- summary disclosure materials directed to retirees. And then the provisions that come after that are really disclosure materials directed to bondholders and other creditors, and they're both in the same document. As we've indicated, the disclosure materials directed to retirees will be also in a separate flier, and they will be the same, so it won't matter which version someone picks up. That's the reason for that big clunk of blacklining -- big chunk of blacklining.

On page 28 there's additional very significant chunks of blacklining relating to DWSD debt, and here again it looks like there are more -- a lot of changes, but there, in fact, are really few. Change number one, there is no longer any provision for a possible what was called GLWA, Great Lakes Water Authority, transaction, which, in connection with your Honor's commencement of mediation on that topic, doesn't mean it can't come back, but we've kept the language, but the -- at the point where we are today, we thought that that was a relatively low probability contingency and created more complexity than it was worth, so we took it away.

The second change that we made is is that once upon

a time we thought we were dealing with basically four main classes of DWSD debt, sewer, senior and -- first lien and second; water, first lien and second. As a result of discussions with holders and many different things that happened, we went to a structure where each CUSIP was a separate class, so we have the 336 or 337 classes. And since they're all separate, there's no real reason to keep the 1(a), 1(b), 1(c), and 1(d) separate, so those four, 1(a), (b), (c), and (d), have been collapsed just into 1(a). It's not a substantive change. There's still many, many classes, but for purposes of the document, that became much simpler, and so that change is there.

There was an additional change that was also mentioned in the papers we filed in connection with the peace treaty/peace offering, which is that we've added call protection as part of the proposal for the basic treatment, the primary treatment, irrespective of if no -- if you don't make the election, the interest rates that are on the schedule will be protected by call protection for a period of up to five years. If the actual maturity of debt is shorter, it's a shorter period, but that's the only change. DWSD -- there's lots of black ink, but that's the only change to the treatment in the DWSD class.

The next big clump of heavy redlining is related. It's the actual classification discussion relating to DWSD,

which starts on page 43 of the blackline version of the disclosure statement. It implements exactly the changes that I have just discussed. It does nothing more.

And then there is a big clump of changes on page 6 -- beginning on page 63 of the blackline disclosure statement. All of these deletions relate to the elimination of the GLWA, the authority alternative. Again, it's all sitting in a word processor someplace, so if the mediation generates a different result, we will be ready for it.

And I think that's it in terms of the large clumps. I wanted to emphasize, if it wasn't already obvious, that there's some things that haven't changed at all. There have been no changes whatsoever to the COPs treatment. There have been no changes whatsoever to the LTGO treatment. Obviously I don't think Mr. Heiman mentioned it, but UTGO there's a settlement that's in the plan. That's another area where documentation I think has yet to be completely finalized.

THE COURT: He did mention that.

MR. BRUCE BENNETT: Okay. The OPEB treatment has not changed. The other general unsecured treatment has not changed, and so while there have been a lot of changes that have been done to implement certain things, that hasn't changed.

Oh, I forgot one set of -- one set of heavy markup, which is, of course, the changes to the pension treatments,

which relate to the things that Mr. Heiman was talking about.

I will say one other thing, which is that we did have what I really regard as a very constructive session both with the -- what I'd call the professional objectors, meaning the persons represented by counsel who prepared objections, and the people who are not represented by counsel. I think we spent a total of roughly eight and a half hours on the phone, I think, in both sessions. I think people worked hard to get the disclosure right, and there was very, very limited conflict over what the plan should actually say. We worked very hard to make those sessions as organized as possible by asking people to give us markups of the parts of the disclosure statement they wanted to change with exactly what changes they wanted, and virtually everybody came through and provided comments in that form. I don't want to single them out because there may have been one or two others, but Syncora was one of the very few who refused, and so when they indicated to the Court that they were last, yes, they were last. They were last because we thought that we should work very carefully through the proposed markups that were prepared by people who actually did the work to make the meet and confer session as productive as it possibly could be.

The good news is at the end of the call when it was Syncora's turn, at least they told us then that we had -- that as a result of others' comments, we had covered most of

their issues, so I think we definitely exerted our very, very best efforts to minimize what your Honor will have to hear today. We clearly took away homework from those calls. We had the responsibility to put some of the agreements into writing. We tried our best. If we have to make adjustments, of course, we're absolutely going to do that.

I will say one last thing, and it's -- I think it's an echo of a comment your Honor made, which is that this is a pretty big document. And it is clearly the case that you can always ask for more disclosure. There's always something else to say. We very clearly at the -- at the hearing when we launched this, we said to people, "If you've got any ideas for deletions, please let us know." None were offered, and so we continue to have that problem. We regret its length, but I think that we think that this is what -- this is -- does contain the material information that is necessary under the circumstances. So with that I'll --

THE COURT: So nobody objected on the grounds that it's too long?

MR. BRUCE BENNETT: Not yet. We'll see what happens today.

THE COURT: That it's too burdensome?

MR. BRUCE BENNETT: Not yet.

THE COURT: Can I file that objection?

MR. BRUCE BENNETT: Yes, you can, even though the

deadline has passed. Thank you, your Honor.

MR. HEIMAN: Your Honor, with apologies, apparently -- and with apologies particularly to the police and fire retirees' association, apparently I inadvertently omitted the very important agreement that we reached with them that has been approved, so I want to correct the record on that. Thank you.

THE COURT: Thank you. All right. I want to begin then with the objections, and, as I indicated in my notice from yesterday, we will allow five minutes for each in the order in which they were filed. First to file was Creditor Ben McKenzie. Is he here or anyone representing him? Next would be John P. Quinn. Next would be Constance Mary Phillips. Next would be Jean Vortkamp.

MS. PHILLIPS: Good morning, your Honor, and everyone in the court.

THE COURT: Good morning. What is your name, please?

MS. PHILLIPS: Constance Mary Phillips.

THE COURT: Okay. Could you do me a favor and pull that microphone just down a bit?

MS. PHILLIPS: Is this better for you --

THE COURT: Yes, yes.

MS. PHILLIPS: -- and everyone else?

THE COURT: Yes.

MS. PHILLIPS: Okay.

THE COURT: Now, ma'am, I want to be sure you understand that this is your opportunity to object to the disclosure statement, not to the plan itself.

MS. PHILLIPS: Not to the plan of adjustment?

THE COURT: Right.

MS. PHILLIPS: Oh, yes. I wrote an extensive objection to the plan of adjustment, so I understand that.

THE COURT: Yeah. And I do plan to give you and others like you who filed objections to the plan an opportunity to be heard at a later time.

MS. PHILLIPS: Okay.

THE COURT: So this is only about the disclosure statement.

MS. PHILLIPS: May I ask one question, your Honor?

THE COURT: Yes.

MS. PHILLIPS: I was invited to participate in a meet and confer call --

THE COURT: Yes.

MS. PHILLIPS: -- on Friday, April 11th --

THE COURT: Yes.

MS. PHILLIPS: -- which was also about the disclosure statement.

THE COURT: Yes.

MS. PHILLIPS: My primary objection was addressed

then at that time as well.

THE COURT: It was?

MS. PHILLIPS: Okay. But they didn't do a synthesis of that conference call. I did ask that question of them. That was with Jones Day legal firm.

THE COURT: Yes.

MS. PHILLIPS: But my objection to the disclosure statement was in regard to the time frame of ten to twenty years of recipients, retirees like myself and others, to be able to receive retiree benefits. I was very, very concerned about that because I've worked in this community in human services for a number of years, over 30 years, and the longevity rates --

THE COURT: Where did you work?

MS. PHILLIPS: Pardon?

THE COURT: Where did you work?

MS. PHILLIPS: I worked for the Detroit Wayne County Area Agency on Aging. I worked for United Community Services, and I worked for the City of Detroit's Department of Health and Human Services and Housing, so I have a fairly good working knowledge of the population base that exists in the City of Detroit. We have approximately one-third of the population who are over 55, and people are living up until their late 70s and 80s, so if someone retires in their 60s or late 50s, a ten-year time frame for recipients of -- to

receive retirement benefits is insufficient. I retired at 62.

THE COURT: But let me ask you how does this impact the disclosure statement as opposed to the plan?

MS. PHILLIPS: Well, I wanted to know how are people going to get paid? How are people going to receive their benefits? And the cutoff is ten years at the beginning, twenty years at the maximum. So if people live beyond those points in times, they will not have pensions. That to me is an affect on the disclosure statement.

THE COURT: Okay.

MS. PHILLIPS: Monetarily speaking. It's a financial aspect.

THE COURT: Thank you.

MS. PHILLIPS: That's what I was concerned about, and I'm still concerned about it.

THE COURT: Okay. And I will ask the city to respond.

MS. PHILLIPS: Okay. Am I finished?

THE COURT: If there's something more you'd like to object to --

MS. PHILLIPS: That was the main thing that I objected to.

THE COURT: That was the main thing? Okay. You're all set then.

MS. PHILLIPS: I'll put some additional remarks together for April 28th regarding the issue of people receiving pensions if they are at the poverty level, federal poverty levels --

THE COURT: Okay.

MS. PHILLIPS: -- because that's really a very significant issue --

THE COURT: Okay.

MS. PHILLIPS: -- and my concern.

THE COURT: Thank you very much, ma'am.

MS. PHILLIPS: Thank you for your time, your Honor.

THE COURT: Ma'am, you've been very articulate. The next objection to be heard is from Dennis Taubitz. Sir.

MR. TAUBITZ: Good morning, your Honor. May it please the Court, Dennis Taubitz. I guess the first objection is the lack of due process in the second amended disclosure statement being filed apparently sometime yesterday. I don't believe people would have had adequate opportunity to review it and make that many meaningful comments today, so I would request that we be given additional time to respond to the second amended disclosure statement.

It's my understanding that the purpose of the disclosure statement is to inform the individual creditors so they can cast an informed vote, and I don't believe the

disclosure statement does that for a number of reasons. One, counsel for the city claimed that no deletions were presented in the meet and confer. That's untrue. I presented one. I asked that all reference to the Retiree Committee representing all retirees be deleted because they don't. They only represent the retirees that affirmatively consent to be represented by them, not everyone. Some of them -- some of the retirees have appeared before your Honor on their own and, therefore, are not represented by the Retiree Committee.

I asked in the disclosure statement that there be a further discussion of the assets and value of the assets. In order for the creditors to make an informed vote, they need to know exactly what they're giving up. What they're giving up in this disclosure statement or plan is their right to proceed against assets that the city may have.

And I would again ask the Court to reconsider the statement by counsel for the debtor that the deadline to file objections has passed. I believe that is very unfair as they just filed the second amended disclosure statement yesterday. I believe that we should have more time to file objections. Thank you.

THE COURT: Thank you, sir. Next we have an objection by Jamie S. Fields. No response. An objection by Michael Shane. No response. Next we have an objection by

AFSCME.

MS. LEVINE: Good afternoon, your Honor. Sharon Levine, Lowenstein Sandler, for AFSCME Council 25 and our Retiree Subchapter 98. Your Honor, we rely on the papers and the comments of others and want to limit our comments just to one major disclosure issue that we have concern about. In the amended plan the debtors have included revised treatment in Classes 10 and 11 with regard to pension recipients. And particularly with regard to the GRS pension recipients, who are our constituents, it appears that if you vote "yes," you may be getting treatment substantially improved over the treatment that was originally provided by the debtors, up to perhaps four-and-a-half-percent cuts as opposed to perhaps in excess of 34-percent cuts. The problem that we have is the way the -- is the way the disclosure statement and plan work now, people in that class elect to vote "yes" thinking that they're voting for four and a half or whatever the new treatment is, and even if the majority of that class votes "yes" and even if this Court -- the debtor comes forward and confirms this plan, it's still possible that the scope of the releases will not be sufficient for the state to provide the financing. In addition to that, the document with regard to which the state is supposed to provide the financing is not yet attached to the disclosure statement, so what we have is a situation where people are being asked to vote in favor of

a treatment, arguably substantially improved over the treatment that they originally thought they were going to be confronted with, but they don't really know that they're going to get it. And if they vote "yes" and certain other levers don't fall into place, they have actually voted "yes" for the in excess of 34-percent cuts, so we're now confronted with a situation where somebody is saying to themselves, "Well, do I take the chance and shoot hoping that I'm going to hit my foot instead of my head, or do I vote 'no' and know that I've hit my head?" And you're in a situation, Judge, where we know -- we've studied what happened pre-petition, and your Honor actually found that the city, the state, the players here acted in bad faith in those negotiations. For those of us that have participated in the mediation process, it's been a very difficult process to get to the point where we are today, so you're -- and you're asking those very people who've been involved in the pre-petition negotiations and in this post-petition process to take the leap of faith that when we get to confirmation, if they do vote "yes," that the state, without promising today that it's going to commit that financing, will commit that financing and will provide for the better treatment that these people are now trying to vote for. We would respectfully submit that the appropriate disclosure here would be that, yes, if you vote "yes" and if this class votes "yes" that there will be the appropriate

release provided to the state and that that is the only lever that has to drop for the governor and the legislature to appropriate this financing, and there can't be a decision at the end of the process that suddenly says the rules have changed because you have people with that uncertainty who are going to be confronted with voting not potentially for a better result for themselves and the city but voting their frustration and their anger because they will believe that this is not the first time they would have been lied to. And we respectfully submit that we can solve that problem now. Thank you.

THE COURT: Do you have specific language?

MS. LEVINE: Well, your Honor, I don't know if it's just language or we have to really get the parties to actually say that we can put that language in the disclosure statement. If I'm hearing that the state is firmly committing today that the only condition to the financing is a release, then I would ask that your Honor decide whether or not you'd be willing to say if, in fact, these classes vote "yes," we will grant the release that's required, and we would also ask the state to say that with that language and with a "yes" vote, the funds are here today committed, so if you do vote "yes," confused retiree, you're actually getting the better treatment. You're not, in essence, voting "yes" for in excess of a 34-percent cut.

THE COURT: Thank you.

MS. LEVINE: Thank you.

THE COURT: Next is an objection by FGIC.

MR. PEREZ: Good morning, your Honor. Alfredo Perez. Your Honor, number one, we really have significant due process concerns about how this whole process is being handled, and I'm not here to argue each and every one of our objections, but I will point out, your Honor, that as it relates to the DIA settlement, we requested information as you would have in a 9019. The only information that was added was this is a risk factor, but there was no information that we're compromising these claims, here are the issues, here's what we've looked at. There's nothing like that, your Honor. So perhaps with the new plan, there will be more information, but at this point we really do have very significant due process concerns about how it's being handled. Thank you.

THE COURT: All right. Thank you. Next is an objection jointly by Creditors T&T Management, HRT Enterprises, and the John W. and Vivian M. Denis Trust. Anyone here on that? No response. Next is an objection by Oakland County.

MR. WEISBERG: Thank you, your Honor. Robert Weisberg on behalf of Oakland County. Your Honor, in light of some of the rulings that the Court made today specifically

relative to the issue of mediation of the Great Lakes Water Authority, we feel that that process will afford Oakland County the necessary vehicle to get information that it thinks it needs in order to evaluate both the plan and the opportunity for the authority. Candidly, we don't think that there has been included within the disclosure statement at present sufficient information for Oakland County to address the plan as a whole, to address its treatment under the plan if there is to be a treatment. We've been told, although it has not been 100-percent confirmed, that in the event that there is no authority, that the contracts with Oakland County and the DWSD will be assumed. We don't see any schedule indicating that that isn't the case, so we're at the moment assuming that that is the case, and if that is the case, then we may have issues with respect to assumption, but we don't have issues with respect to being a creditor because we arguably won't be a creditor unless there's ultimately a rejection. So at this point, we are prepared to allow the mediation process to go forward to avail ourselves of hopefully what will be free and open disclosure with respect to information in connection with that process, and in so getting that information, we won't need to have the information that we might otherwise require to be included within the disclosure statement.

There are other objections that we raised within the

papers that we filed that have been alluded to as being plan confirmation issues as opposed to disclosure statement issues, and with respect to those, we'll defer to the plan confirmation process, so in that regard I think at least for the moment our issues have been resolved.

THE COURT: Thank you, sir. Next, please, objection of Berkshire Hathaway Assurance.

MR. CHRISTY: Good morning again, your Honor. Tom Christy, Garan Lucow Miller, on behalf of Berkshire Hathaway. Your Honor, I'm not going to regurgitate our original objection. That said, as you know, the latest version of the disclosure statement was filed at five o'clock last night. And I'm not here to criticize Jones Day or anyone else. We all understand this is an enormous undertaking. That said, the compromise I'm hearing from them, if I understood it correctly, is if you have new objections to the new stuff, you can file it by April -- for this hearing on April 25th. The problem we found trying to go through this last night -- and our lead counsel in New York had three attorneys looking at this from five o'clock into the late hours of the night last night -- we're looking at this -- we're trying to get numbers out of this, and we're trying to figure out what numbers are there. I still -- having spent those resources as well as we could in the limited time available, we still cannot figure -- come to the conclusion, hey, do we have

sufficient data or not. There's simply not enough time. I don't want it to be construed that, okay, it's an old objection because you made that objection before. I mean if we find there's still insufficient data, we should still be able to raise that at this proposed new hearing on April 25th or whenever that should happen. That said, I think the rest of our objections are pretty self-explanatory, and we hope that the Court will allow further explanation if necessary. Thank you.

THE COURT: Next, please, objections by the Detroit public safety unions.

MS. PATEK: Good morning, your Honor. Again, Barbara Patek for the Detroit Fire Fighters Association, the Detroit Police Officers Association, the Detroit Police Lieutenants and Sergeants Association, and the Detroit Police Command Officers Association, who represent the approximately 3,200 men and women who provide police and fire services to the City of Detroit, its residents, businesses, and visitors. We did file some objections, and of all the creditors that the city has in this case, we are perhaps more than any other appreciative of the city's severe financial distress and its service delivery insolvency because our members live it every day. We are -- we realize with respect to the pension issues this is a fluid process, and many of our objections related to that. And we are also appreciative of the extraordinary

efforts being made by others doing the heavy lifting on this issue, including the Retirees' Committee, some of the larger unions, and the city itself and, of course, the mediators. However, we have, as mentioned on the solicitation, two primary objections, and I believe they will be addressed, but I want for the record to have them. And the first has to do with the disclosures with respect to, in spite of the reports of the very good result with respect to police and fire, pensions on accrued benefits. Because of the hard freeze, our members need to understand that effect, and I have been provided preliminarily with Ms. Lennox with some information that's going to be included today, but I think that although we have representation on the Retiree Committee, we have supported the Retiree Committee's efforts, and in addition to the service provided the city, these workers are -- these police and fire fighters are also helping by virtue of that hard freeze to help the retirees get to where they are, and I think those disclosures will be addressed.

The second has to do with the release issue, and precisely because we are taking somewhat larger cuts, I could not possibly say it as articulately as Ms. Levine said, so I would echo that objection. And then the second part of that is the scope of the release because there is information in the release. Some of it has to do with what's in the plan, but truly even in the disclosures and the notices the public

safety unions came into this bankruptcy with all of their bargaining rights stripped away by Public Act 436. They have been working very hard with the city in the mediation process and are continuing to work in that regard. What we need in the disclosure statement is -- and at some level it may depend on how things come out in terms of mediation, but even if there isn't a deal reached with the public safety unions, it needs to be made clear that these individuals are not waiving, releasing, or discharging their rights going forward either under the Michigan Constitution, the Public Employee Relations Act, or Act 312. So those are our primary objections. Thank you, your Honor.

THE COURT: Thank you. Next are objections by Macomb County, please.

MR. BRILLIANT: Good afternoon, your Honor. For the record, Allan Brilliant from Dechert, LLP, on behalf of the County of Macomb, a Michigan constitutional corporation by and through its county agency, the Macomb County Public Works Commissioner. Your Honor, we filed our objection to the disclosure statement, participated in the meet and confer. We are very mindful of your Honor's order that this was to be just disclosure objections and not to be plan confirmation objections, all of which, you know, we have, you know, reserved for the confirmation hearing. Like Oakland, you know, we also believe the disclosure statement, you know,

does not provide sufficient information not just for, you know, customers. Macomb is, in addition to one of the largest, you know, customers of Department of Water and Sewage, but, in addition to that, is a creditor, you know, has a claim for at least $26 million for overcharges which were in litigation at the time of the commencement of the Chapter 9 case. But the information that's contained in the disclosure statement, your Honor, just doesn't provide sufficient information with respect to what is going on under the plan as it relates to DWSD. The debtor's response to everything was, well, you know, everyone seems to -- not just, you know, Oakland and Macomb, but some of the water bondholders had indicated, you know, there were problems with all these different options, you know, that it was confusing. There wasn't enough information about the possibility of a water authority or a private, you know, partnership, and the -- you know, the city's response to that is, well, we'll just take out everything with respect to the Great Lakes Water Authority, and somehow, you know, that clears everything up, but it doesn't, your Honor. There's several things, you know, that are lacking. First, just as an aside, you know, one of the, you know, issues that hasn't been filled in is in the document, and obviously we need to see this track through -- appropriately through the disclosure statement into the projections, you know, and otherwise is

how much money it is that they're proposing that DWSD will prefund into the Retirement System. You know, effectively, your Honor, what the plan does -- and there's very little disclosure about it other than in various places, and in connection with the objections, it was just one paragraph added as a risk factor, but what the plan does is it requires DWSD to prefund its pension obligations in some dollar amount. In the previous disclosure statement, that was $675 million. We understand, based upon, you know, the new, you know, projections, you know, from the actuaries, which, you know, are changed throughout the document, but there's a blank here, you know. For this number it's going to be, you know, significantly, you know, less than that, somewhere in the range of $500 million, and that's going to be paid, you know, early over the next ten years. And supposedly there will be a schedule, but there isn't one attached, that will explain, you know, the schedule for paying it early. It's not all going to be paid on day one or in the tenth year but over some kind of schedule, but there's no information on that. What we had requested, your Honor, and I think is necessary for there to be adequate information is some discussion as to why DWSD, you know, should be required to prefund its obligations and what the risks are for DWSD in doing that, you know, whether this has been approved by various parties and what the reason for it is. And the only

response from the debtor with respect to that request was to add a provision in the risk factors that some parties think that prefunding, you know, the amounts of money is too high, and, therefore, if that doesn't happen, there may not be as much money around for the pensions.

THE COURT: I want to put you to that one. Not to set off the mediation that I just ordered on the wrong foot, but I have to wonder aloud whether any explanation that the city would give in response to your "why" question you would ever think is an adequate disclosure.

MR. BRILLIANT: Well, your Honor, whether it would be adequate would depend on what they say. All they say at this point is they don't believe it's unlawful.

THE COURT: What would you find to be adequate?

MR. BRILLIANT: What the justification is for it, why the amount was chosen.

THE COURT: What you will say is, "That's not an adequate disclosure. That's not an adequate reason."

MR. BRILLIANT: But, your Honor, what we have now is no reason, so you're right, your Honor. It may be that what they would say would still not be satisfactory to us, but at least the disclosure statement would say something. It would say -- it could say that the city believes that, you know -- you know, why the department should do this, whether it's been discussed with, you know, the management, what effect,

you know, it's going to have on, you know -- you know, sewage and water rates on a go forward basis, you know, for the customers. It says nothing with respect to that, your Honor.

THE COURT: All right.

MR. BRILLIANT: You know, in addition to that, your Honor, we touched on it a little bit, you know. There's obviously the prefunding aspects of it, and then there's also language in the plan in the implementation section, which is duped into the disclosure statement, about how rates will be set on a go forward basis. And we had asked the -- and basically what they say for a minimum of five years they will, you know, continue to, you know, deal with the fiscal 2015 rate protocols, and then the city is going to come up with the possibility of a rate stabilization, you know, program for retail customers. We asked them to explain what that means rather than just say that. Just, you know, duping the language out of the plan, you know, what does that mean, and what does that mean for wholesale customers, you know, in terms of rates. And, you know, the debtors to date haven't, you know, added anything with respect to that.

So, your Honor, I think, you know, our -- you know -- you know, clearly, you know, we don't know what's going to happen in terms of a private partnership, you know. You know, one of the things that we had asked was that, given the possibility here that there -- that it may infringe upon

the city charter or state laws, we had asked that they disclose, you know, whether or not they would need to have, you know, a referendum to have the voters approve this; if they were to create a franchise or do something else, whether or not they would seek to, you know, assume or assign the contracts to any private partnerships. Instead, they just put in the language that they added to the disclosure statement just about their schedule under the theory that they don't know enough about, you know, what it might bring in order to disclose any more. And our concern was not necessarily trying to disclose what they're going to do because we recognize they just don't know, you know, haven't gotten the proposals yet, but just making sure that, to the extent that it required, you know, a referendum or compliance with state law required any other, you know, regulatory approvals, that they would get those prior to the --

THE COURT: You want the city to disclose that it will comply with the law in connection with any private transaction?

MR. BRILLIANT: Well, we had added -- your Honor, we had proposed --

THE COURT: Can't we presume that?

MR. BRILLIANT: But we had added just -- they have listed, your Honor, under the Bankruptcy Code some of the 943 requirements, and we had asked that they just include a

reference to any electoral approvals or other regulatory approvals, you know, required. That's all we had, your Honor.

THE COURT: Okay.

MR. BRILLIANT: Thank you.

THE COURT: Next would be objections from Assured Guaranty, please.

MR. KOHN: Thank you, your Honor. For the record, Samuel Kohn for Assured Guaranty Municipal Corp. Your Honor, there's one issue that I hope doesn't go into the five minutes. It's what Mr. Bennett was talking about, which is the amended solicitation order. Paragraph 9(i) of the solicitation procedures order provides that if the voting deadline moves, the voting dispute resolution deadlines move as well, the first brief and second -- all right, your Honor. Thank you.

Getting to the disclosure statement, it was very helpful for your Honor to actually schedule that meet and confer for the city and for the creditors. We spent six hours going through a lot of the issues. There are only a few remaining issues from Assured which -- but they are really important, and it goes toward your Honor's discussion with counsel for the county before relating to the prefunding. For two months we had a number. I know Mr. Bennett said that there's a blank.

THE COURT: You're talking about the prefunding retirement?

MR. KOHN: Right. Now, one of the problems is -- that we asked is that it's nowhere in the DWSD treatment, but what it does -- it's only buried in GRS, in the GRS treatment. It's not -- there's no description for voters who are looking at the DWS treatment and saying your fully secured special revenues will be impaired and will be primed by an additional prefunding when the documents provide that the operating and maintenance expenses that can only prime you are next month's current expenses. So you'll hear a lot about that in the plan objection, but there's no discussion about it in the DWS section, DWSD section. That's number one. Second of all, on the meet and confer Mr. Bennett said we'll be very happy to see that the number is below 550 or thereabouts, but now there's a blank. We don't know if it's going to be 775 or 675. It's not just a matter of filling in a blank, and we hope we'll have an opportunity to respond when that blank gets filled in, but we want to alert your Honor to the importance of what that priming is and what that does to the special revenues. It actually impairs -- there's a waterfall. Affix the waterfall onto the docs, and if they put additional funding -- they say that it's operating and maintenance, begs the question, fight about it on the plan --

THE COURT: Do you have language?

MR. KOHN: I would love to have language to say that it will --

THE COURT: Do you have language?

MR. KOHN: Well, here's the --

THE COURT: Do you have language?

MR. KOHN: Your Honor, let me respond to that. My language would be take the ten years amount that --

THE COURT: No, no, no. I'm not talking about language that negotiates their plan.

MR. KOHN: No, no, no. I don't --

THE COURT: I'm talking about language that you want in the DWS section to explain what the plan presently does.

MR. KOHN: Oh, sure. I could provide language. That's the -- the amount of the impairment of your bonds will be X. I could provide that. That's not a problem. It's what's buried in GRS that really has to just -- it's a lift and cut --

THE COURT: Um-hmm.

MR. KOHN: -- into the DWSD and to say, you know, your bonds are going to be impaired by this amount, but one thing. What the issue is -- and this is what we've asked for, and this is what your Honor's question was. It's not a question of whether it's inadequate information. The question is we do not know the extent of our impairment, and here's why we don't know. We used to know that it was 675

less what we used to have. Now we don't know the cut number, but guess what? We don't even know what we used to have. The city never disclosed to us the actual historical information for the last five years of what the DWSD spent on -- contributed to the pension pursuant to the docs, to the old water and sewer docs. We've asked for that, and they said, well, maybe we'll give it to you, maybe we won't, but they didn't.

THE COURT: Well, are you asking for that in the disclosure statement?

MR. KOHN: Yes, yes. I'm asking for historical data specifically of the funding and how much -- and also the amount of the UAAL liability and also the historical information of how much was contributed to the pension funds for DWSD workers. We've never received it. So that's one big point. And by the way, even though there's blanks in the disclosure statement, the Schedules K and L still equal up to 675 so that the exhibits need to be revised as well.

The second issue is the privatization that we talked about. Your Honor, it's very interesting to have a plan provision or something in the disclosure statement that there's going to be a privatization potential deal, but they don't know who's it with. They don't know what form it will take. They don't know when it will close, and they don't know how it's going to affect creditors. If they don't know

how it's going to affect creditors, how do we? Our recommendation is to just take it out. Just don't talk about it. If it happens, they'll have to deal with it under 1127 somehow but not now. It's just confusing. It's meaningless. If they don't know how it's going to affect us, how are we going to make an informed judgment how it's going to affect voters?

The third issue is this is -- we've asked for this, and they said no. They have this RFI, a new issuance under the DWSD, that's going to water down our collateral. It's going to be pari passu to us. And there's no mention at all because they're saying they may not even have to come to your Honor to ask approval for it, which we will object to, of course, when they file a notice, but, anyway, so the other two things is we asked for the methodology on the rate setting chart. We think that voters should understand whether the figures are grounded in reality or whether they're just thin air to get to a certain result to be able to have savings for the city. If it's reality and it's grounded in reality, please tell us the methodology. We asked them to provide a value for the core protection. Well, they could say it's zero. They could now say it's zero, and they don't have to reverse us. They don't have to tell us about it.

The one thing -- the last thing, and I'm going to

get off, is Mr. Bennett talked about the UTGO settlement. We're a party to that, and we hope we'll have an opportunity to look at that. The description so far we don't think actually does it. Thank you, your Honor.

THE COURT: Thank you. Next, please, is Syncora.

MR. RYAN BENNETT: Good morning, Judge. Ryan Bennett of Kirkland & Ellis on behalf of Syncora. While we rest predominantly on our papers and the statements of others, we do believe the manner in which the disclosure statement has been handled presents some significant due process concerns and attempts to short-circuit the protections afforded to parties under the Bankruptcy Code. We anticipated that we would end up in this spot when we filed our first motion to adjourn the disclosure statement hearing several weeks ago, and, unfortunately, we were correct. At that hearing, counsel for the city indicated that the information that was missing, the documents, the agreements, would be filed in bundles and not held until the last day before the hearing before it would be filed, and, however, here we are. Instead of receiving the 28 days' requisite notice to review the documents, we received less than 28 hours.

Judge, if the Court does adopt the city's proposed revised timeline, we ask that the information that Mr. Bennett referred to as new also include the information

that was filed last night and that at this proposed hearing of April 30th that the parties be allowed to take issue with that information to the extent they have issues. That's it, your Honor. Thank you.

THE COURT: Okay. Next is Ambac, please, Ambac Assurance.

MS. CONNOR COHEN: Good morning, your Honor. Carol Connor Cohen from Arent Fox on behalf of Ambac Assurance Corporation. I just have a couple of very quick matters to raise, and mostly it's just a matter of confirming. We had a number of issues that we raised in our objection to the disclosure statement. A few of those were addressed in this amended disclosure statement that was filed last night. A number of them the city disputes. I'm not going to -- we'll rest on our papers on those. There was one very important one that's left open that I do want to mention briefly, and that is, as the Court noted, it's important that creditors know what they're going to get, and we don't because of the blanks in the current version. We have -- Ambac insures the LTGO bonds, Class 7. Right now the recovery is listed as blank for -- we know we're going to get some pro rata share of the so-called new B bonds, B notes, but we're in a pool with three other groups, the OPEB or now I guess the retiree health VEBAs, the other general unsecureds, and the COPs or at least those COPs holders who elect to enter into the COPs

settlement. There's no amount estimated -- it's a blank -- for how many that might be. The city hasn't even given us an assumption about how many of those in dollars might elect that treatment, and there's also no number right now for the OPEB number, so we don't know what the denominator is for this fixed sum note to be divided. I assume that if the Court adopts Mr. Bennett's proposal that we will be able to raise issues at the next hearing if there are not -- if there's not adequate disclosure so that we can figure out how much we're going to get from what is filed next week, but I just want to confirm that that is still an open issue for us. Thank you, your Honor.

THE COURT: Thank you. Next is Wilmington Trust, please.

MR. ROSENBLAT: Good morning, your Honor. This is Heath Rosenblat on behalf of Wilmington Trust National Association as successor contract administrator and successor trustee.

THE COURT: Stand by one second, please, sir.

MR. MARRIOTT: Your Honor, Vince Marriott on behalf of EEPK and certain other COPs holders. I believe Wilmington Trust joined in our objection, which was filed first. It might make more sense for me to go before Wilmington Trust.

THE COURT: Is that all right with you, sir?

MR. ROSENBLAT: That's exactly where I was going to

go with this, your Honor. Thank you.

MR. MARRIOTT: Your Honor, once again, Vince Marriott, Ballard Spahr, representing EEPK and speaking on behalf of an objection filed by EEPK, its affiliates, Deutsche Bank, Dexia, and FMS Wertmanagement. I guess I'm one of the professional objectors that Mr. Bennett referred to. I'd rather he had put an "and" between the words, a professional and an objector. I choose not to think of myself as a professional objector.

THE COURT: There's so many comeback lines for that one.

MR. MARRIOTT: Your Honor, I appreciate that you're restraining yourself.

THE COURT: It's so hard.

MR. MARRIOTT: I want to join in what I view as the due process problems that have been raised by scheduling here. It would appear that what Mr. Bennett is proposing, that we proceed with a hearing on objections to that portion of the disclosure statement that haven't changed and defer objections to the portions of the disclosure statement that have or will change. It's an organic document. I'm not sure it is fair to ask of creditors to proceed in that fashion when the document really has to be evaluated as a whole. I have no problem obviously with pushing another hearing on the disclosure statement till April 30th. I resist the notion

that the objections that can be presented at that hearing will be pigeonholed and constrained rather than as to the disclosure statement as a final organic document as it then exists on that date. I think that's the appropriate way to proceed and not this sort of serial nature.

That said, we had a number of objections raised in our papers that were repeated by others, including such things as indicating plan contingencies and what the effect on distributions would be if those contingencies didn't occur but the plan was still confirmed. Again, I had a few hours to read this. It didn't appear to me that those sorts of issues were raised. We raised issues about asset valuations. I'm confident that those issues were not addressed. I think the city takes the position that they're not obliged to value their assets for purposes of disclosure.

Our lead objection was that the disclosure statement did not provide adequate information to -- for creditors to determine either what they were getting or what others were getting, which is equally important for voting on the plan. Ms. Cohen indicated that there were denominator issues associated with that calculation. There were also numerator issues associated with that calculation because these new B notes have a nominal face amount of X, but that nominal face amount of X is based upon interest rates which we, for example, believe are not market and that if you were to

discount that note to what it would, in fact, trade at in the market, the 650 would be significantly less. There are blanks in the latest --

THE COURT: So is there language in regard to that that you would like to see in the disclosure statement?

MR. MARRIOTT: We would like to see language in the disclosure statement, your Honor, that indicates what -- I mean the debtor at the moment has blanks for what distribution percentages will be. Presumably when those blanks --

THE COURT: That was not my question.

MR. MARRIOTT: No, no. I'm going to answer your question. Presumably when those blanks are filled in, they will reflect the debtor's assessment of the value of that B note.

THE COURT: Um-hmm.

MR. MARRIOTT: I'm assuming for the sake of argument that they will value the B note at par and then do -- in other words, they will view the numerator as fixed and that that percentage will shift depending upon their ultimate calculation of the denominator. We believe that proper disclosure would indicate that there are creditors who will actually have to hold and trade these notes that believe that they should be valued at significantly less than face, and we believe that that -- our views on that should be in the

disclosure statement, yes.

THE COURT: Okay. So I ask again, do you have language that you want included?

MR. MARRIOTT: Yes, I do. We can provide the debtor with specific language we would like to include on --

THE COURT: All right. So what --

MR. MARRIOTT: -- the issue of the value of distributions.

THE COURT: Okay. So what I'll ask of the debtor, be forewarned, is whether the debtor has any objection to including your language with the statement that this is language that your client, EEPK, has requested to be included in the disclosure statement.

MR. MARRIOTT: Thank you. And with that -- oh, one other thing not disclosure statement related, scheduling related.

THE COURT: Okay.

MR. MARRIOTT: We have no objection to moving the bookends of the schedule, but our view is -- and I don't know that the debtor will have any issue with this -- dates within those bookends should roll as well. I mean it was an awfully tight schedule, particularly at the discovery, and adding ten or twelve days to the discovery schedule would improve the process. And if the bookends are moving, there's no reason not to move those other dates.

THE COURT: Right. Okay. And does Wilmington Trust wish to add anything?

MR. ROSENBLAT: We do, your Honor. Heath Rosenblat again of Drinker Biddle on behalf of Wilmington Trust National Association. More specifically to what we filed -- and, again, obviously we echo the due process concerns that the other objectors have raised, but the disclosure statement specifically talks about the COPs claims in principal obligation only, and we had suggested language to city's counsel that kind of dovetailed with the proof of claims that we filed in connection with the COPs claims that lays out that there are other fees, costs, charges, expenses that need to be added to the obligation, not just -- it can't be represented in principal outstanding amount only. And that was in paragraph 3 of our limited objection. Thank you, your Honor.

THE COURT: Okay. We do have nine or ten more of these objections plus the city's response, so we're not going to be able to conclude before lunch, in any event, so I'm going to take lunch -- take our lunch break now, and we'll reconvene at 1:30.

Before we break, however, I want to -- I want to forewarn counsel for the city about an issue that I wish to address with them during the status conference that will follow our hearing on the disclosure statement, and that

issue is sort of broadly and generally what the plan provides for supervision regarding the implementation of the plan assuming it's confirmed, what the plan provides for that supervision, who is going to be responsible for it, what reporting obligations that responsible person might or should have to the Court regarding implementation. And with that I will see you at 1:30.

THE CLERK: All rise. Court is in recess.

(Recess at 12:03 p.m., until 1:38 p.m.)

THE CLERK: All rise. Court is in session. Please be seated. Recalling Case Number 13-53846, City of Detroit, Michigan.

THE COURT: All right. Stand by while I try to figure out who's next here. Okay. I think our next objection will be from the ad hoc committee of DWS bondholders, please.

MR. HOROWITZ: Good afternoon, your Honor. Gregory Horowitz from Kramer Levin on behalf of the ad hoc water and sewer bondholders. Your Honor, we've joined in the water and sewer bond trustee's objections, and Mr. Lemke will be speaking to those, I think, in a few minutes. We wrote separately to highlight the problem in the disclosure statement as it was -- as it then existed and the plan as it then existed that it had alternative treatments of the water and sewer bonds depending on whether a GLWA transaction was

entered into or I think what we've -- what some people have been referring to as the stand-alone approach was being employed, and we wanted to highlight the problem that you can't ask the bondholders to vote without having any good idea of what they're -- what treatment they've voting on. That issue has been largely addressed to date, I guess, by the withdrawal of the GWLA -- the GLWA transaction from the plan and the removal of the discussion in the disclosure statement. There's still an issue, which Mr. Kohn addressed, I believe, with regard to the disclosure statement discussing the city's exploration of a public-private transaction and the possibility that some undefined transaction will be entered into. In our view, it's clear that the plan, as currently in place and as currently addressed by the disclosure statement, is for a stand-alone treatment of the bonds, and it's also clear, we believe, that if the GLWA transaction is revisited or if some public-private transaction is actually consummated or pursued, that would be a material event that would require supplemental disclosure and, to the extent that it impacts on creditor recoveries, could well also require resolicitation, but that's not before us today. Even the plan as currently stated in the disclosure statement, as a number of people have pointed out, has large gaps with regard to material relevant information about the treatment of the bonds and particularly the priming

pension payments that are -- that the city proposes to place in front of us. I trust and hope that at least a large portion of that -- those gaps is going to be addressed by next Friday when a supplemental disclosure statement is -- an amended disclosure statement is filed. It's possible, I guess, by that time that there's also new information about the GLWA or a public-private transaction. Regardless of what happens, your Honor, it's clear that we don't know what plan we're being asked to consider at the moment. And with regard to the scheduling order and the proposed changes that Mr. Bennett addressed with regard --

THE COURT: What do you mean by that, you don't know what plan you're being asked to consider?

MR. HOROWITZ: Well, I should say -- I'm sorry. Not the plan. We don't have the information about our proposed treatment. We don't know how much in --

THE COURT: That's a different question.

MR. HOROWITZ: -- proposed payments is being layered -- how much in payments is proposed be layered ahead of us, so with regard to the proposed changes to the scheduling order that Mr. Bennett discussed this morning, if a disclosure statement at the earliest is not going to be approved until April 30th and May 1st is currently the deadline for parties other than individual bondholders and retirees to file objections, that doesn't make sense, your

Honor, and to the extent that the dates in paragraph 11 of the third amended scheduling order, Docket Number 3632 -- and Mr. Bennett said that 11(a) should be pushed off to May 12th. All of the other dates in there, 11(b) and 11(c), should, likewise, be pushed off. I'm sure that there's an awful lot of other rejiggering in the schedule that should be done to take advantage of the additional time, but at the very least the objection deadlines have to be pushed off.

THE COURT: Okay. Thank you, sir.

MR. HOROWITZ: Thank you, your Honor.

THE COURT: Next are the objections of the Retired Detroit Police Members Association.

MS. BRIMER: Good afternoon, your Honor. Lynn M. Brimer appearing on behalf of the Retired Detroit Police Members Association. Your Honor, we stand on the objection as it was filed, and for brevity and in order to avoid repeating issues that have been raised by other parties, I would like to point out that many of our objections were also raised and have been brought up this morning by other parties. We are aware that there has been a settlement reached with the other association, the Retired Detroit Police and Fire Fighters Association. I do not believe all of those terms have been disclosed. And until those terms have all been disclosed, it's impossible for us to evaluate the impact of that settlement on the treatment of the

police -- I only represent police -- the police in the plan. I am optimistic and believe that all of those terms will be finalized and disclosed in the next document that is filed, and that issue should be resolved.

The other issue that I'm concerned about that has not yet been fully addressed is the disclosure of the terms of the state contribution agreement and the DIA settlement agreement. The disclosure statement specifically states with respect to both of those that there are conditions to those -- the funding and to the execution of the DIA settlement agreement. With respect to both, the disclosure statement states -- for example, states, "Payment of the state contribution is conditioned upon," and then, "among other things." I think it's important that the -- all of those things -- there's a litany of conditions, but it must be clear that all of the conditions are either disclosed or the settlement agreement is disclosed in order for the retirees to fully evaluate the risk. And I understand it's a risk, and it may be a confirmation issue whether or not they'll accept that risk, but they need to understand what all those risks are.

In addition, I would like to reiterate the comments made with respect to the Class B note, and it's very unclear. And, again, I believe that the next document that's filed may resolve that, but the VEBAs for both the GRS and the PFRS are

predicated on their share of the Class B note. And as the document stands today, it's impossible for the retirees to determine what share of the Class B note will be contributed to each of those respective VEBAs. Thank you, your Honor.

THE COURT: Next are the objections of the water and sewer bond trustee, please.

MR. LEMKE: Your Honor, David Lemke again on behalf of U.S. Bank as trustee for the water and sewer bonds. Your Honor, we would start off -- echo the requests of prior parties asking that if your Honor does extend the deadlines, all of them get moved, so I won't belabor that.

In addition, we do also agree with the arguments and the requests made by Assured and by Berkshire and also by -- I think it was Macomb County with respect to the UAAL. As your Honor understands, that is a significant issue for the holders to understand exactly how that proposed accelerated payment impacts the operations of the system and how it may increase or shift a likelihood of nonpayment going forward to the water-sewer bonds by layering on some additional obligations that aren't otherwise in there right now, so we do want to understand how they're coming up with the amount that they are intending to allocate to the GR -- I mean -- I'm sorry -- to the DWSD. We would like to understand the historical payments that were made and think that all should be in the disclosure statement. You know, we have -- as

somebody pointed out, one of the exhibits still uses the $675 million number. We believe that's dropping to 550, and it is a blank right now on the disclosure statement. Of course, the GRS audit came out fairly recently, and it has $375 million as the amount attributable to DWSD for the UAAL, so we would like an explanation of the reasons or if that is not the number proposed, why. Why is that different?

The same thing that Macomb County mentioned as well with respect to the rates, we certainly would like to understand what the statement in the disclosure statement means with respect to what they plan to do with rates because, as your Honor knows, their ability to pay any and all of the payments coming out of the department, whether it's debt service, capital expenditures, operating, depends on revenues, which clearly depend on rates, so we need to understand what's going to happen with the rates going forward.

The next item we have is that the plan says that they're going to be proposing or be filing supplemental disclosures that will include the new DWSD bond documents, and we don't have those yet, and we haven't had a chance to look at them yet. So under the disclosure statement and plan, it currently provides that there will be basically no changes to the bonds other than -- and they're critical, but other than the interest rate may change, the call protections

may go away, and then there will be this UAAL pay-over that may not be part of the existing situation, but it suggests in the plan and disclosure statement that nothing else will change with respect to any of the other terms of the bond documents, and we accept that comment at face value. That's exactly right. That would be the only changes made, period, to any of the new documents. But we need to reserve our right to object if and when we finally see these new documents and if, in fact, there are changes that are in there that aren't -- weren't already contemplated or already disclosed in the disclosure statement, your Honor.

THE COURT: Okay.

MR. LEMKE: We also have a similar issue to -- I can't remember if it was Oakland or Macomb, but their request that there be some disclosure with respect to the compliance with Michigan law. Now, in our case it is compliance with Michigan law with respect to these new bonds that will come out if the plan is confirmed, the replacement bonds. And I think it is critical for us and for our bondholders to understand what are the state law requirements and, as a result, could be impediments to those bonds being issued. For example, if the city does, in fact, have to submit these new issue to the 45-day referendum period -- and, in fact, somebody -- 15,000 citizens ask for a vote on the new issue, and then that vote is -- votes down the new issue, what

happens? And there's no explanation in the disclosure statement. And it is a -- it is a risk factor, but it is also something the bondholders should understand is a -- if it is a possibility, it is a possibility, and what's going to be the effect if that occurs.

We also would like an explanation from the debtor in the disclosure statement on the methodology -- methodology -- I'm sorry -- that they used for doing the interest rate reset chart. There is a -- as your Honor knows, there's a schedule attached that has all of the CUSIPs, and then the debtor has proposed interest rate -- new interest rates that will be attributed to each of those new CUSIPs if the plan is confirmed and if they cram down or if somebody were to elect the cramdown rate, and there is no explanation on how that curve -- what was derived, and, you know, you can't just put in a -- just sort of a standard -- you take an A-rated series and run that curve. It doesn't come out exactly the same, so we feel like it is important for the holders to understand what the methodology was that went into that rate when they're voting on the plan.

We have -- we also have -- and this is sort of just a -- I think a fairly minor matter, but -- and maybe this gets cleaned up between now and the next hearing, but the debtor did make -- and we appreciate it -- made some changes to the disclosure statement that we requested, but those --

many of those same changes didn't get brought over to the plan. And it is important that if not all of them but certainly some of them find their way over to the plan since the plan will ultimately be the controlling document, and we need to make sure that those provisions are in there. And I think that is all I have for right now, your Honor. Appreciate it.

THE COURT: Thank you. Next we have objections from the retiree association parties.

MR. PLECHA: Good afternoon, your Honor. Ryan Plecha, Lippitt O'Keefe Gornbein, on behalf of the retiree association parties.

As far as my comments relative to the Retired Detroit Police and Fire Fighters Association, I would just want to state that we want to confirm that the upcoming disclosure statement and plan will, in fact, include accurate and adequate disclosure of the deal that we have in principle. That remains subject to some details being worked out.

As far as the Retired Detroit -- or the Detroit Retired City Employees Association, we rely on our papers as well as stating a few objections for the record. One is we have a real concern that there's no legal basis in the disclosure statement for the recoupment of ASF funds. Also, the scope of the release as well as whether a "yes" vote has

an unconditional release regardless of whether the plan is confirmed, money comes in or the class accepts the treatment.

Also, as it relates to the received by deadline, I think retirees should be made aware that it could take up to a week for mailing. I know that seems like a mundane detail, but since it's only based on ballots that are actually cast and accepted, I think retirees should be made aware that it could take up to a week for their ballots to get to California. That's all, your Honor.

THE COURT: Thank you, sir. Next we have objections from Heidi Peterson. Is she here or anyone representing her? No response. The Official Committee of Retirees objection, please.

MS. NEVILLE: Good afternoon, your Honor. Carole Neville on behalf of the Official Committee of Retirees. First, another scheduling issue. We would like your Honor to extend our time to work on the special disclosure for the retirees so it coincides with the full disclosure statement because when we change a number in the plan, it affects the descriptions that we put in the retiree supplement, and we're continually scrambling to adjust those numbers. So if we could -- if Ms. Lennox and the rest of us could work together on the plan and disclosure statement and on the special disclosure, it would be very helpful.

With that said, it's coming late in the day. I can

just turn around and say what she said and what she said. We care very deeply about the DWSD funding because it is the sole source of funding pretty much for the General Retirement System pensioners, so any disclosure that is made about the historical funding and about how much is being allocated in this accelerated funding is of great concern to the retirees. The number seems to be dropping. We haven't gotten an explanation for that. And it results in increased cuts for the retirees.

We also care very much about the Plan B note. We share in the pool with the COPs and the LTGOs. We believe that the note is at a below market rate of interest, and we're not sure what part of it we get. The calculation of the OPEB claim is a big issue still. There are different interest rates one might use to calculate that claim, and it changes the amount of the claim. That has not yet been resolved. And the other part of it is something I mentioned this morning. Once the VEBAs get this note, it isn't clear what benefits the trustees are going to be asked to provide. If it is a ten-year VEBA, the retirees may get the benefits or better benefits than they're getting now, which are greatly reduced, your Honor, as you well know. If it's a 20-year VEBA, their benefits could slip way down. And if it's a 30-year VEBA to coincide with the pensions, there could be virtually no benefits provided, so it's really important to

get some sense of what the VEBA mandate is going to be, and we don't have that yet. The plan, disclosure statement, and notice just says you'll get whatever the trustees say you're going to get, and I don't know how the retirees can vote on that issue.

So those are the things that are the "me, toos" basically but from the other side, from the retirees' side. I'd like to turn now to some of the things that came up in the plan and disclosure statement that were filed last night. Ms. Levine talked about one of the conditions, and there are many conditions. One of them includes that the confirmation order be a final order so that any appeal that is pending on September 30th could jeopardize the state contribution, and that's something retirees should know up front if that's really going to be a condition of receiving it.

But even more important -- it's funny because I actually gave some language to Mr. Bennett, and he dutifully put it in, and now I'm going to object to it. I said that the city should be up front about what cuts would be made if the classes vote against the plan, and he said cuts will be made if you vote against the plan. Well, what happened in this version is that the cuts became very serious. Originally, the plan provided that the cuts would basically take away the money that was contributed by the state and by the DIA funders. Now the cuts are greater. So, in other

words, the contribution is figured out at $810 million, not present value, but the value over 20 years of contributions. The cuts now, if the PFRS or the GRS vote against the plan, are a billion one, so, in other words, they're taking away more than the contribution. They're taking away serious funding from the plans.

In addition, these cuts fall much heavier on the GRS. If the GRS and the PFRS vote against the plan or one of them do, then the GRS will be cut by $700 million. The PFRS only lose their COLA. So on one side you have no cuts to pension and COLA, and on the other side you have a 29-percent cut in benefits plus COLA. So what we need to have is disclosure up front that a vote against the plan for -- particularly for GRS is a loss basically of 50 percent of the pensions.

The second thing that I want to focus on, which I started talking about this morning, is ASF. I don't think anybody understands what's happening with ASF. I don't think Ms. Levine actually even figured out how it plays into the cuts for GRS. You have a four-percent cut in benefits. You lose COLA, which is either valued at 13 percent or 14.5 percent, depending on how you look at it, and I don't want to get into that. On top of that, people who contributed to ASF accounts between 2003 and 2013 will lose from their pensions 20 percent of the highest amount of their ASF account. That

could be huge for somebody. If you had a big ASF account and you lose 20 percent of it, you could lose quite a lot of money. If you had a small account, it could be nothing. And if you were lucky enough to retire before 2002 and take your money -- or 2003, then you wouldn't have any cut at all. So there's not any disclosure about how this ASF really works and how it will affect individuals.

THE COURT: Again, I ask do you have language that you'd like included?

MS. NEVILLE: Yes. We will work with Mr. Bennett, and I really appreciate the fact that he's willing to extend our time for a week to add this because it's really -- it has been developing. The formula has been developing over the last week. But I think that what we had asked to put in was the legal basis for this ASF recoupment because it is property of the retiree, and the plan is just taking it away without any litigation, without any reference to the defenses that there are, and we will add language about that.

In addition, the justification for this ASF recoupment is the malfeasance of the Retirement System and the board. And there's not any discussion about any claims that are being released on that side, and this -- in this plan we got the list of released actions, and there was nothing on it about that. We're concerned that if there are claims and they're not disclosed, they would be released

pursuant to Sixth Circuit law, so -- and those are things that I can work out with Mr. Bennett. I'm sure he will be happy to do that.

The third issue I have is about the interest rate. This is another thing he was kind enough to put in that I disagreed with his analysis of the interest rate or the city's disagreement, but I think it's important for people to understand that the interest rate on which the assets are valued, the investment rate, is an extremely important thing. Each point -- each percentage point is worth a billion dollars in value, and so when you say you're going to have an investment rate of return fixed at 6.75 and the average of all public pensions is 7.75, you're talking about a billion dollar swing, so we would put in language -- a little bit more language describing the effect of the interest rate.

It also may determine how the fiduciaries invest because if you set an investment target, that's the target fiduciaries aim for, so if you're aiming for 7.75, you may have a more vibrant portfolio than you might if you're having a more conservative interest rate.

THE COURT: Vibrant, of course, means risky.

MS. NEVILLE: Risky, yeah. I know, but, in fact, the pension plans have been doing very well with a very mixed portfolio, and 7.75 is not a particularly high rate. Let's see. I think I have pretty much hit all of the main points.

It's OPEB, the notes, ASF, and this new in terrorem, I don't know which part of the body you're aiming -- we're aiming to shoot ourselves in.

THE COURT: I have an issue that I need for you and your colleagues and the committee to think about. As settlements are being achieved and agreements reached in regard to the treatment of retirement claims, I think it's entirely appropriate to think about at what point the Retiree Committee should declare victory and go home. Have you thought about that?

MS. NEVILLE: Yes, your Honor, we have. You know, there's still very many open issues, in particular in OPEB, and we are the really -- the only people who are involved in the OPEB discussion. There are a number of other issues that are still open. We're not here to be obstructionists. We're here to find a good resolution. There is a real disparity in the treatment between GRS and PFRS. We'd like to narrow that gap, we'd like to find a good solution for OPEB, and then we'll go home.

THE COURT: All right.

MS. NEVILLE: Thank you, your Honor.

THE COURT: Next we have objections of the Detroit Retirement Systems.

MS. DEEBY: Good afternoon, your Honor. Shannon Deeby of Clark Hill for the Detroit Retirement Systems.

We'll be brief. As we discussed this morning in connection with the retiree and OPEB solicitation motion, the Systems are very concerned about disclosures related to the releases, the plan injunctions, and the exculpations. We're also concerned about the uncertainties surrounding the settlement and the risk factors, all of which should be adequately disclosed and which we hope to address in our discussions with the city, our ongoing discussions with respect to the plain language inserts.

The only other issue that I would raise, Mr. Bennett requested with respect to the voting tabulation deadline that it be moved to July 22nd, I believe. There's currently a slight inconsistency between the solicitation procedures order, which sets that deadline for filing the tabulation summary on July 11, and the third amended plan scheduling order, which allows parties to file supplemental plan objections on July 7th based on either discovery or the results of the voting tabulation, so to the extent that you would be moving the voting tabulation date, obviously all the other dates would need to move, but we would request that the plan objection supplementation deadline be moved so that it is after the city files the voting tabulations. That's all. Thank you, your Honor.

THE COURT: Our final objection is that of Jeffrey S. Romeo. Is he here or anyone on his behalf? No?

MS. CECCOTTI: Our objection should show on your list as Docket 3877. No?

THE COURT: I'm sorry.

MS. CECCOTTI: I believe our objection should show on the docket as Number 3877.

THE COURT: You are correct, and my --

MR. BJORK: As well, your Honor, the National objection.

THE COURT: You are both correct, and I apologize to both of you.

MR. BJORK: Did Bruce Bennett have something to do with it? I'm just assuming.

THE COURT: I assure you that the answer to that is no. Ms. Ceccotti, my apologies to you. You may proceed.

MS. CECCOTTI: And it'll be very brief. We also stated some concerns about the scope of the release, and you've heard that from many parties. And I understand now that there is an effort to try to work some of those matters out, and we will work ourselves into that process so that we can see how --

THE COURT: Okay.

MS. CECCOTTI: -- much of this can be clarified. I think the only other matter, just to update from this morning, we did talk about the Detroit Library issue. I have given Ms. Lennox some language, so hopefully that's --

THE COURT: Okay.

MS. CECCOTTI: -- on the way to being resolved as well. Thanks.

MR. BJORK: Your Honor, Jeff Bjork for National. Our objections have been covered. The one point that we will be willing to work with the debtor on in terms of language goes to the pension acceleration, the language around that. I thought Mr. Lemke identified the various issues that we think should go in the disclosure statement, so we'll work with the city on that.

THE COURT: All right. Thank you. Is there anyone else that I've overlooked? All right. Mr. Bennett, would you like to proceed, or do you need a few minutes -- more minutes to --

MR. BRUCE BENNETT: Your Honor, I'm ready to go, but if you want to take a break right now, that's okay with me.

THE COURT: No. If you're ready, I'm ready. Let's do it then.

MR. BRUCE BENNETT: Let me just get to the top, and I'm going to organize kind of in the order we went, and I'll pick up a number of the objections as we go so it'll be shorter when we get to other people.

THE COURT: What I'm most interested in hearing from you is what disclosures have been requested that the city objects to including in the disclosure plan -- in the

disclosure statement, although to the extent that you agree to any of the requested disclosures and want to put that on the record, that's fine, too.

MR. BRUCE BENNETT: Okay. We will try to be as constructive as we possibly can. Okay. The first -- I mean the first big topic -- and it was raised by many people -- relates to the grand bargain or what I'll call comprehensive settlement relating to the DIA, and a couple of different points were made in respect to that that I can remember. If I come upon more later in my notes, I will cover them, but one recurring theme was is that there was inadequate disclosure of values. Our response to that, your Honor -- and, of course, this was discussed at the meet and confer -- is that we have disclosed the values that the city has obtained. The city has not -- we admit that we have not received a valuation of all 60-plus thousand items; that we took a look at the -- at a sample of roughly 35 or 36 or 3,700 items that were purchased with city funds, and we believe that that represents a disproportionate part of the value of the collection, but there is no more to disclose. And we don't think it's a defect in the disclosure statement that we did not go out and get the particular kind of valuation that other creditors would like.

I can report that there is -- there has been very significant discovery requests relating to the art, and I'm

under the impression that a deal on discovery has either been made or is extraordinarily close, so there will be disclosure. So if other people want to do more valuation work in advance of the confirmation hearing, that's fine, but we think that our disclosure statement submission is adequate.

The second point that was raised in a couple places relative to the art was the disclosure relating to this --

THE COURT: Before we go to point number two, would you object to a disclosure in the disclosure statement of the four -- I don't want to call them offers because they weren't really offers -- four statements of interest that various parties made regarding the art that were included in the most recent motion that the Court received relating to the art?

MR. BRUCE BENNETT: Your Honor, I wouldn't object, but I have very -- I have significant reservations, and the reservations are as follows. We know nothing -- or we know very little -- we know a little about the process that resulted in those indications of interest. We do know they are nonbinding and, notwithstanding nonbinding, are, nevertheless, significantly conditioned. And so ordinarily -- at least I think the fair majority of cases would discount those as indications of true value rather considerably in light of their own limitations, so I suppose --

THE COURT: And I don't --

MR. BRUCE BENNETT: -- that that would --

THE COURT: And I don't make the suggestion in the context of a dispute as to your value but only in the context of something that has happened in the course of the case.

MR. BRUCE BENNETT: We can do that. I think we should -- I think what I would propose to do is have a paragraph reciting the existence of the motion, that in the motion there were made representations concerning these nonbinding indications of interest that are, nevertheless, conditional and probably put a few more qualifying words not because I'm concerned, your Honor, that your Honor or very many people in this courtroom would be misled. I don't think that they would be, but this is going to have a very broad dissemination of a document, and there's a great tendency in our society for people to focus on a number and kind of ignore the qualifications related to it. So why don't we put -- why don't we put in a section of events during the Chapter 9 case, you know, properly indicating its source, its context, and its limitations?

THE COURT: Thank you.

MR. BRUCE BENNETT: And I think that will resolve the problem. With respect to the suggestion by FGIC that in addition to the information that is already in the disclosure statement relating to what I've referred to in this courtroom

before as the problem of how many sticks in the bundle does the city really own, the restrictions that may exist restricting dispositions of art, restricting use of proceeds from dispositions of art, whether, as a collection -- on the collection as a whole or pieces of the collection pursuant to particular donor restricted instruments, we've said that. We've said that's out there. What was requested by FGIC is -- and others is more, and what they have requested essentially is two things, a brief on, you know, what the city thinks the law is in connection with this and how the city actually came out with respect to those legal issues in making the settlement. And while I believe that those are appropriate briefing questions -- and I know that your Honor will expect briefing on this subject in connection with confirmation -- I don't think they're appropriate disclosure statement topics. I think, number one, it would be just our argument, and I will also tell your Honor that when we end -- when we finish, it's going to say something to the effect of this is a godforsaken mess, and that's why we're settling it, and so it would expand the disclosure statement with a lot of technical legal argument that, quite frankly, very few people will be interested in. Those who are interested in it will get it because it will clearly be a subject of briefing in advance of plan confirmation. So we think what we've done -- we've certainly put the facts in. We've said -- the facts

are there. The contentions are there. There's a risk factor that explains the possibility that it would not be approved. We think that's adequate disclosure for purposes of the disclosure statement.

With respect to Oakland and their objections or -- I think they said they'll work it out in another forum. I think it's appropriate to advise the Court that Oakland is only a party to an executory contract that is going to be assumed under the plan, and so I'm not sure that they have standing or even that we should be concerned about disclosure needs that they may have. It's, I think, in a different context.

THE COURT: So the plan specifically provides for the assumption of the contract?

MR. BRUCE BENNETT: The plan provides for the assumption of all contracts except those scheduled. I don't know that that schedule has been completed, but I am prepared to tell your Honor that Oakland, Macomb's, and Wayne County's -- the DWSD contracts are not being rejected, so they will be assumed.

I think the -- and if I skip a topic, your Honor, things I need to address -- the next one, again, raised by many, many people, at least on my list, is the disclosure that remains in the disclosure statement concerning the city's search for some form of public-private partnership,

and, again, this was a subject discussed extensively during the meet and confer proceeding here. The city actually disclosed what it regards as the truth, open paren one, until this morning, and your Honor ordered mediation, and I suppose that that will go into the disclosure statement someplace. The city believed that an authority deal, a GLWA deal was, in fact, dead and would not be consummated within the time frame relevant for this process. The city does not have the same views with respect to a public-private partnership-type structure, and so we then had to wrestle with given that there is a genuine view that that is a possibility within the time frame that we're talking about between now and confirmation of a plan, we then had to decide what is it that we can disclose that would be truthful and helpful but not misleading, and we think we did that. Here again, we have nonbinding, highly conditional indications of interest, and so we thought that here -- and they were also not apples to oranges completely comparable, so we thought here disclosure of the particulars of those indications of interest would not be helpful either to creditors or to the marketing process that is ongoing right now, but we did say we are exploring this, which is 100-percent true, and we did set out the timeline so that people would know what we -- how we thought this process would develop as we stand here today. It would not be fully truthful to strike that. I don't understand why

people want to strike as much disclosure as we can make about this. I think people should understand that this is in the works.

Now, as to assertions about what is the significance of this going forward to the plan, there is a very wide range. One of those -- one of the possibilities is nothing whatsoever. There are some of the private -- public-private partnership-type structures which are management-type arrangements, which would not change the DWSD debt. They would not change the distributions. They would not change anything that would be in the plan. There are admittedly other kinds of potential public-private partnership transactions that might require adjustments to the plan, and I think our answer to that is as soon as we get there, everyone is going to find out about it. If something has to happen -- well, first of all, if something economically interesting enough to cause us to change something under the plan, number one, it's going to be beneficial, not harmful. Otherwise we wouldn't do it. And, number two, there will be appropriate notice, appropriate amendments, and appropriate disclosure. We're just not there yet, but as soon as we do get there, we will make those steps if they are required, and so the only qualification to -- one of the people up here said, "Well, if they did this, all kinds of things would be required." My response to that is, yes, they might be, but

it's very important to remember they might not. So I think under the circumstances as they actually are, the disclosure and the disclosure statement is both -- is not only adequate, it's complete to the extent that we can disclose things that are meaningful and not, in and of themselves, potentially misleading.

The second major DWSD issue regards the so-called prefunding question. First, let me confirm on the record that it is -- as I said on the meet and confer call, although I'm going to make it even better for people, the number is not 675. It's going down. On the conference call I said the number would be 550 or less. I am here today to say that the number will be 500 million or less, and so the number is trending down.

What is the number? I think I'm going to cover many different things together here, and then we'll unpack them. One objector asked for the past five years of actual contributions by DWSD to the GRS pension fund. We believe we have that information. We are going to include it. I don't know how meaningful it is. One of the reasons I don't know how meaningful it is to anyone is that it may well be the case -- and I'll even say it is probably likely the case -- that to the same extent that the city wasn't adequately paying as it goes making contributions to the pension plan on account of general funds, it probably wasn't paying as it

goes with respect to the DWSD deposits either. That will be looked at.

The significance of that is that you've heard a lot of people come up here and say, well, all of a sudden this is the city putting more money ahead of bondholders under -- and I don't know that they necessarily identified it this way, but it is under the operation and maintenance carveout from the liens and from the distribution mechanisms under the DWSD bonds. And so a situation that we might have historically is that not enough was paid out and that there may have been more room or the ability to pay more, and for whatever reasons DWSD didn't pay a hundred percent of the then current benefit load as people were performing services.

Going forward, we can make an estimate -- I don't think we have a final one, and the number keeps moving around -- of the extent of -- in a very rough sense, DWSD's share of the underfunding in the existing pension plans without giving any consideration to any modifications that might occur as a result of settlements or what's going on in the plan. That's going to be a number. The number that we're talking about, however, for the accelerated contribution is, in fact, the estimate of the DWSD share of the underfunded portion after the benefit adjustments under the plan are made. So a point that we've made --

THE COURT: Does the disclosure statement say that?

MR. BRUCE BENNETT: The disclosure statement does not say that. We can put that into the disclosure statement, that sentence. My suspicion is that sentence might turn into a paragraph by the time the actuaries are through with it, but that is a number that will be based upon many assumptions, which people will have debates about and which I'm sure people have already had debates about. The point --

THE COURT: It's important to disclose those assumptions, too.

MR. BRUCE BENNETT: Exactly. That's what I said. A sentence may well turn into a paragraph. The other point I want to make though, and the reason why I go through this so that everybody understands -- and this is not new to many people behind me but may be new to your Honor -- is that this number, the number -- the DWSD share of underfunding based upon after the modifications is a smaller number than the DWSD number that would exist in the event that none of this -- no modifications occurred. Accordingly, while in some sense accelerated, the net number viewed over time we viewed properly is smaller, and DWSD as a credit is improving as a result of this. And it's entire --

THE COURT: Why is the word "accelerated" used?

MR. BRUCE BENNETT: Pardon?

THE COURT: Why is the word "accelerated" used?

MR. BRUCE BENNETT: Because it's -- I suppose --

THE COURT: It feels like more of a catch-up than an --

MR. BRUCE BENNETT: I was going to get there.

THE COURT: -- a past liability than an acceleration of a future liability.

MR. BRUCE BENNETT: It is a -- it is potentially a combination of both, so you're right. To call it an acceleration is to apply a conclusion that may not necessarily be warranted. It is -- and to us it is an appropriate -- and here's another important part -- legally appropriate method of capturing a DWSD contribution in respect of existing unfunded portion whether that unfunded portion arised as -- arose as a result of historical under-contributions or whether the underfunding arose from something else like annuity savings or other kinds of things.

THE COURT: Well, if the adjective "accelerated" is not an accurate adjective, please don't use it.

MR. BRUCE BENNETT: Okay. We will neutrally --

THE COURT: Find another one or don't use one.

MR. BRUCE BENNETT: We will neutrally characterize -- "accelerated" is a word that's been in the room, but we will neutrally characterize the number. Okay. So, number one, we will disclose the number. I don't think there's any further -- and we will disclose a -- we will qualify what the number is, what the calculation represents.

We will state that in some way with appropriate qualifications. If there really is a need for us to put the number in the disclosure statement, not the plan, relating to the DWSD section, I have no problem with that, but it doesn't seem like anyone has really had difficulty finding it, but we can do that.

THE COURT: Do it anyway.

MR. BRUCE BENNETT: Okay. So we will put it in two places.

THE COURT: Yes.

MR. BRUCE BENNETT: But I don't think we're going to go further and discuss the pros and cons and details. We've said in the risk factor -- we added the risk factor in response to some of this dialogue that we understand that -- I don't remember the exact words -- that people may object to this and that it will be -- and it may well be determined that it's not appropriate. If it's not appropriate, a lot of things in the plan has to change. Okay. The rate stabilization -- did your Honor have any more questions before I move off of that one? Okay.

With respect to rate stabilization plan -- that's the retail rate stabilization plan -- that actually hasn't been developed yet, so there is nothing to disclose. I think the topics --

THE COURT: Well, you can disclose what the purpose

of it is that the city is contemplating --

MR. BRUCE BENNETT: Okay. I think it's focused --

THE COURT: -- at the same time you disclose that the plan itself has not been developed.

MR. BRUCE BENNETT: Okay. I think it's focused on low income customers, but I will --

THE COURT: Whatever it is.

MR. BRUCE BENNETT: I'll get a sentence. Okay. I think I said -- but just as great as clarity as possible, any public-private partnership that the city decides to do, of course, has to comply with applicable law. We don't think that we need to disclose that. It's the truth.

THE COURT: Well, but I think the -- I think the issue there was a little more subtle. What I heard was whether this or some rate adjustments associated with it require compliance by law with certain conditions, including perhaps referendum, should that be disclosed as a risk factor.

MR. BRUCE BENNETT: Okay. The referendum point deals with newly issued debt under the plan. It doesn't deal with this particular question.

THE COURT: Okay.

MR. BRUCE BENNETT: But I don't have a problem with a general risk factor that says that there are many transactions contemplated in the plan which will have to

comply with state law and that if any don't, material revisions might be necessary. That would be --

THE COURT: All right.

MR. BRUCE BENNETT: I think it goes without saying, but I think we can say that nevertheless. It is clearly our intent to comply with state law where it's applicable.

I think with respect to Assured's objections, I've covered them all. The five years of history will be the actual payments, not our estimate of what they should be paid because that's much more complicated, and it will also not be our estimates of what the UAAL was or the underfunded --

THE COURT: Right.

MR. BRUCE BENNETT: -- portion in all five years. That's a bit more complex for this. Also, we do not have -- we did not -- well, we actually do have calculations about the value of elimination of the call protection, which is, of course, the option that we were talking -- we have the rate reduction is the primary approach because that's, of course, what 1129 contemplates as a direct way to deal with overmarket debt. The elimination of call protection we view as an economically not quite as good but pretty equivalent to the city because it gives it the opportunity to go into the market and achieve the result that it would have to achieve in the courtroom. We have numbers about what the difference is or, you know, what we think would happen if there -- but,

once again, they are projections. They are filled with assumptions. We don't think they're meaningful, and, frankly, they have nothing to do with the question. The only part of that part of the plan that we intend to seek cramdown on is with respect to the basic 1129(b) treatment of oversecured debt, and we had -- do not plan -- the option is totally voluntary. No person is going to be forced to take it, so we feel no obligation to disclose what the city thinks it might achieve in terms of savings as a result of the call protection election. I think everyone should make their own calculations and decide what choices they want to make, so we would not --

THE COURT: Hold on there. If a bondholder does not make the election --

MR. BRUCE BENNETT: Um-hmm.

THE COURT: -- is the interest rate the contract rate?

MR. BRUCE BENNETT: No. If the bondholder doesn't make the election, it's that curve, which I'm going to get to the background of the curve. It's the list of rates on the exhibit, which is the city's estimate of what the correct market rate would be so that under 1129(b) the discounted value of payments --

THE COURT: Okay. But is there a disclosure of how the city determined those market rates?

MR. BRUCE BENNETT: There isn't, your Honor. It's a proposal, and we know we have to defend that they are market against the different kinds of curves that you can make from literally hundreds of credits. And I understand that the objectors say that they can't figure out exactly what curve we used, and I don't think we used someone else's curve. I think there was an effort to very carefully figure out what the credit of the city's DWSD department would look like after reorganization and stabilization, which is, of course, what the cases look to. They didn't pick single A --

THE COURT: I think they're entitled to two or three or four sentences describing the methodology as to how those market rates were arrived at.

MR. BRUCE BENNETT: Okay. Would it be adequate if we said it's based generally on and gave a list of factors that said it was -- you know, that it was certain A-rated -- it's really somewhere between A's and BBB's, and I don't know that we would -- that I can get further than that.

THE COURT: Yes.

MR. BRUCE BENNETT: I would -- okay. So that's what we'll do. We'll give you a list of the factors that were consulted in preparing the chart.

THE COURT: Unless there was a more specific formula that was used.

MR. BRUCE BENNETT: There wasn't. It's not -- it

wasn't a formula.

THE COURT: All right.

MR. BRUCE BENNETT: I don't think it was a formula. And once again, we set forth the numbers. I mean the target is there. Everyone can look at the number, make their own evaluation that -- if they think it's market rate. If they don't, they're going to come and say it's something different.

THE COURT: All right.

MR. BRUCE BENNETT: I really don't know that we're going to add to anyone else's analysis, but we'll add a little background. Okay. Syncora. I think here, in light of the fact that -- I think the debtor has a continuing feeling that the Syncora objection to the disclosure statement and the process is wholly intended to create another issue for appeal, and the reason I get this feeling is because at least in this part of the case --

THE COURT: I'm going to -- I'm going to cut you off --

MR. BRUCE BENNETT: Okay.

THE COURT: -- because I'm not interested in that. I'm just interested in what are their objections and what is your response to their objections to the disclosure statement.

MR. BRUCE BENNETT: Well, the fact of the matter is,

your Honor, when your Honor goes back and reads their papers -- and I urge you to do so -- you will find that they are incredibly qualitative. And what Syncora has never done has been to propose a single markup or additional paragraph or a series of sentences with blanks where they really don't need -- know something and they want to fill in. They have continued to repeat the same very generalized list of more about this, more about that, more about this, more about that, without actually, unlike many other people, coming to -- grappling with the real issue of what do we do with this disclosure statement and which language do we need to change. And Mr. Bennett preceded me and said that they want still more opportunities between now and the 30th to make additional objections, and I would ask, your Honor, if you want to make sure that we have a really solid record as to what happened here is, at least in the case of Syncora -- mostly everyone else has volunteered -- to ask Syncora to -- basically this time I want inserts, I want markups, whether they be filed with the court so that it's crystal clear what they've done or they just send them to me and that -- because, frankly, I'd like to get these problems resolved. I would like to make every disclosure Syncora really wants in a way that gets to the end and we can say, yes, we got to all of them as opposed to they've got these generalized concerns that we manage never to satisfy notwithstanding how many

hours are applied to them, and so that's what I would have with respect to Syncora. I have no specific suggestions as to how to resolve their problems because I've got really no specifics about exactly what those problems are grounded in the document that we have proposed.

With respect to Ambac's objections, there are no blanks in the treatment for Ambac or any other creditor that is getting B notes. What there are is a blank in the section where we estimate what the value of the distribution is. And the -- a couple of things. When Ambac stood up, they correctly stated that B notes are shared effectively pro rata among four separate -- what are now four separate classes. I will say now that we're absolutely aware of the fact that those four classes share exactly the same thing, and we are very seriously thinking about collapsing them into one class so that this is -- so the plan gets simpler, you know, one step further, and we say explicitly what is already effectively said in the plan document itself, and we'll figure that out sometime in the next week.

There is, as there is in many cases involving a pot plan -- and this is kind of a pot plan with respect to the B notes -- issues with respect to the size of the claims that go against it. This is actually not an issue so much with the Ambac claim. It is, of course, an issue with the COPs. Your Honor heard that there continues to be controversy

concerning the appropriate calculation of the allowable amount of the OPEB claim. I'd like to think and hope that we're making progress on that and that we will have a number that we're prepared to support. And, of course, there is some variability with respect to other unsecureds. This is unavoidable. It is dealt with in many cases. It will be dealt with in the forthcoming amendment to the disclosure statement by some form of range, range of recoveries based upon assumptions that we will spell out in footnotes for where the low is and where the high is.

As to putting on a value, it is no secret to, again, any person in the room that when we value the B notes for other purposes, it's a five-percent interest rate that we assume to be at par, which meant that we assume the appropriate rate was five percent. It is well within the capabilities of everyone who will participate in B notes to apply a different discount rate if they think a discount -- different discount rate is appropriate. I don't think we have a view as to exactly what discount rate will be applicable, and, of course, it'll vary over time, hopefully getting smaller as the city recovers, but I think we're providing absolutely adequate information and, when I add the range, more than adequate information concerning that kind of recovery commensurate with what is seen in many other bankruptcy cases.

THE COURT: Does the disclosure statement say or would you agree that it should say what you just told me, that the city believes that at five percent the notes are valued at par?

MR. BRUCE BENNETT: Oh, at five percent is just a syllogism. They are par. We would definitely say that. If the discount rate is equal to the interest rate, they're valued at par. We have no problem saying it. It's also always true.

With EEPK, same issue. We've had a due process objection from them going on. I think we may have -- I think I may have covered everything. We discussed asset value. We discussed the B note. We can add a risk factor with respect to the B note that says it may not trade at par, and I think that would be a good thing to do under the circumstances with respect to the EEPK definitions.

We've talked -- with respect to the DWS ad hoc committee, we've talked about the public-private partnerships. We've talked about the so-called priming amount issue. So I think we've got that. I think we've covered all of those.

With respect to the police associations, that settlements be -- that the settlement be -- with one group of police associations that haven't yet joined onto the settlement, they've asked that the settlement be fully

disclosed. Frankly, I think that particular settlement is all there.

There were several people who talked about the state -- the disclosure of the state contribution agreement. It's actually an exhibit to the plan. I wrote it down at one point, but I've lost the reference. If anyone is having trouble finding it, please see me after the session. It's actually in there.

With respect to the conditions to the DIA/foundation agreement, that's still at a term sheet stage. There's ample disclosure of that in the disclosure statement. I don't think there's an issue there. We've covered the B note.

DWSD trustee, we've talked about the -- again, one of their big issues was the up to 500 million in the contribution amount. They are correct that the actual form of the DWSD bonds are a plan supplement item as they are in mostly every Chapter 11 case I've ever -- or Chapter 9 case actually that I've ever been involved in, so they will be done before the voting deadline. And, of course, if they don't comply with the requirements imposed on them by the plan, we expect to hear about it. We'll deal with it then.

THE COURT: When do you expect those to be available?

MR. BRUCE BENNETT: I think the schedule was ten days before the voting deadline. Is that what we said or --

ten days before the voting deadline for the remaining plan supplement documents. It was the DWSD trustee that raised the issue of the 45-day referendum. I think the most we can do about that -- I think we don't think that applies, but I think we'll create a risk factor that indicates what's the appropriate section number and that if it's a problem, we'll deal with it then or that it could create a big problem.

We covered the brief additional disclosure concerning where the reset chart -- the derivation of the reset chart. And as to conforming changes between the disclosure statement and the plan, I would definitely like to hear about it if we didn't conform something that has to be conformed, but, of course, there are some things in the disclosure statement that are not in the plan, but we'll work that out for sure sometime during the next week.

With respect to the Retiree Committee's comments, we have no problem and, I think, frankly contemplated advancing their date to object to and comment on changes that would impact the special retiree supplement as well as the disclosure statement in chief.

The VEBA benefits. This is raised by many people in the papers. We think an attractive part of the VEBA is that the trustees of the VEBA are -- which are employee-selected in large part -- that the trustees of the VEBA decide what they want to do, what they should do with the resources that

the VEBA has. And we understand those resources are going to be limited, and they're going to be hard choices. If there are very specific priorities, guidelines that someone feels strongly about, I'm not sure that it's a good idea to tie the hands of the VEBA trustees. They're going to have a hard enough job as it is, but if the difference between a settlement and a fight over the VEBA is somebody describing to us sensible terms somehow generally relating to benefits, I suppose we would absolutely consider them. I'm not sure we have any, so there's nothing to disclose on our side. If there are other people who have things, they should get in touch in with me and get in touch with me very soon.

It was accurate -- is accurate that although the plan condition -- the plan provides that as a matter of the city's view of the plan effective date, our limitation is is that there be a confirmation order that is entered and that order is not stayed, so we -- the city would absolutely be prepared to consummate over a pending appeal so long as the confirmation order is not stayed. We'll obviously look at what is actually filed and make a final decision then. It's not a, you know, absolutely final thing, but that's, I think, our bias.

The state has a different view, and so their agreement has a more restrictive condition. I think it's disclosed because people figured it out. I mean I suppose we

can have one sentence at the end of the -- at the -- somewhere near the disclosure of the conditions to the effective date that the plan itself imposes and indicate that there are conditions to other agreements that would be effective upon an effective date that might also have to be satisfied that might be different, and that's about all I think we would need to do --

THE COURT: Okay.

MR. BRUCE BENNETT: -- and I think we could cover that base. Then the Retiree Committee said why does the number -- the benefit loss go to 1.1 billion if the grand bargain, which is 800-plus million, doesn't happen. There are two very easy responses to this, and, again, we can add one sentence on each, but these are two fairly complicated areas, and these sentences could turn into a page, so I'm inclined not to do it at all. One is that funding doesn't equal benefits because, remember, inside of these beasts there's an investment return, and so that's part of it. They're not actually the same number. They don't -- you know, a funding amount at a particular year doesn't equal a benefit in a future year. The second is is that the -- one of the reasons why the DWSD payment note -- I didn't say accelerated or decelerated -- payment is we believe a fully lawful approach is that DWSD by making that payment becomes relieved of further contribution obligations as long as

certain things don't change, and so the reality is the only circumstances where you can say that that's true is circumstances where the other money comes in as well because other money -- the DWSD money comes in in the first ten years as opposed to, you know, ten years plus some time, and other monies come in over a 20-year period of time. And so part of the -- I don't -- I never looked at the exact calculation, and I've never seen a bridge between the contribution amount and the 1.1 billion, but a part of it could well be that you can't do some of the things that you're doing at DWSD if you don't have the grand bargain either. The bottom line is I think, though, the most important disclosure point is is that the -- trying to tie the 860 to the 1.1 billion, they don't tie because they're not supposed to. And I think that's the most direct answer to the concern, and I would like to leave it at that. By the way, in our documents we don't tie them, and we don't say that they do tie. We just present what we believe are the appropriate calculated numbers. Annuity savings.

THE COURT: I'd like you to give me two sentences summarizing what you just said in the disclosure statement.

MR. BRUCE BENNETT: Okay. We'll try.

THE COURT: Short sentences.

MR. BRUCE BENNETT: We'll try. Annuity savings. This is, of course, a new provision of the plan, and there is

a tremendous amount of disclosure regarding annuity savings and regarding what happened in annuity savings in the pre-petition events and the discussion of the pension funds and why they're underfunded, and we know people hate recounting this story. The problem, of course, with the annuity savings plans is that the benefits paid or the interest rates paid on these contributions that were made bore no relationship to and always either equalled or exceeded but were never worse than the projections and actual results that the city actually achieved, so they got more than they should have gotten in a lot of years that were okay years for the city. They got returns when there were losses. All kinds of things happened in annuity savings that ultimately caused a funding deficit to increase. We say that very clearly. That is the basis for undoing it. It was, in the city's view, an unfair and illegal diversion of pension fund assets. The reason for having an ASF term in the plan is because by remedying 20 percent plus or minus of the over-credits reduces the need to reduce benefits. It's one of the reasons why the good news of shrinking the size of absolute cuts based on current benefits was possible is because of the -- of what I'll call the ASF reallocation.

THE COURT: How much is it?

MR. BRUCE BENNETT: The 20 percent that's being reallocated is $239 million.

THE COURT: How was 20 percent determined?

MR. BRUCE BENNETT: It's the product of negotiations, your Honor. I don't think that there was a -- I don't know --

THE COURT: Negotiations between who?

MR. BRUCE BENNETT: Excuse me, your Honor. Your Honor, I think the best answer for that for the time being is retiree representatives in mediation. Yes, there's a lot of money in this category.

THE COURT: Is that amount of money disclosed in the disclosure statement?

MR. BRUCE BENNETT: I don't think the 239 is separately disclosed, but I have no problem with disclosing it. The overall amount of --

THE COURT: The methodology by which that number or the percentage was arrived at, is that disclosed?

MR. BRUCE BENNETT: No. It was the -- that it's 20 percent I think is disclosed. All of the numbers relating to annuity savings and the damage it did to funding -- again, city estimates -- they are all in the disclosure statement.

THE COURT: No. My question wasn't precise enough. Is the fact that this number, this 20 percent, was the result of a negotiation disclosed?

MR. BRUCE BENNETT: Not explicitly. It's implicit. I have no problem explicitly disclosing that it was a result

of the negotiation.

THE COURT: And among whom?

MR. BRUCE BENNETT: Probably not today, but --

THE COURT: Well, I don't need to know now, but it needs to be in the disclosure statement.

MR. BRUCE BENNETT: Okay. Okay. With the Retirement Systems, I don't actually remember a lot of comments from them previously, and today their comments were also very qualitative and, frankly, therefore, unhelpful in terms of grinding out a disclosure statement that would be appropriate for solicitation. I would invite them, if they do have -- like Syncora, if they have a specific problem that they want us to address, could they please mark up the relevant pages of the disclosure statement or give us proposed language?

As to the UAW, I want to say something out of school. I think the UAW gets the reward for quality of comments made to the disclosure statement. I know I shocked their lawyer and everyone else on the phone when I said we're accepting all of it. I think we did, so -- but she didn't object to the ones that I accepted, so --

MS. CECCOTTI: I have one more. I'm waiting patiently.

MR. BRUCE BENNETT: Next time I'm going to accept with the express condition that there are no more, but I

didn't do that before. So, in any event, I think I've covered all of them. I think I've covered all of the topics. I don't think there are major changes; that we can easily get them in before Friday.

THE COURT: Stand by while I see if I have any more questions for you.

MR. BRUCE BENNETT: Okay. I'll deal with that.

THE COURT: Something further, sir?

MR. BRUCE BENNETT: Yes. Disclosures relating to the $150 million DWSD bond issue that your Honor may not have picked up yet. There is a need -- there's a capital project ongoing and a need for funding at DWSD -- actually, it's on the sewer side -- that they have to raise some money by July 1st of this year. We will be coming to you with a motion or at the very minimum a pleading giving people an opportunity to object -- we can't imagine what the objections will be, but maybe there will be some -- to do a small -- roughly $150 million sewer offering, senior first lien debt, for this purpose during the bankruptcy case under Bankruptcy Code Section 364. It's not a plan term in any way. I don't remember -- and I'm going to look to Mr. Wilson of whether we mentioned it in the disclosure statement that we're doing it -- yeah. I think we mentioned we were doing it, but I think that's about all we think we need to do. It has nothing to do with the plan. That debt will be -- sail

straight through confirmation. It will actually have a maturity longer than confirmation, so we regard that as completely distinct. It's happening, but it's not part of the plan. I'm sorry I missed it. Okay. I have -- unless your Honor has more points --

THE COURT: No.

MR. BRUCE BENNETT: There were some comments made about dates. Let me, again, try to help. With respect to the multiple dates in the -- when there's the same deadline for A, B, C, it's actually in two places. It's paragraph 11 of your Honor -- the former May 1 deadline that would become a May 12 deadline, the June 30 deadline that will become a July 11th deadline, and the July 11th deadline that will become a July 22nd deadline, we meant them to apply to all the different numbers -- all the letters even if I did not mention them. And also picking up the tabulation date, lining that one up with July 11th I think is --

THE COURT: I wonder if I could just ask you to submit to the Court through the order processing program a proposed third amended -- Chris is saying no. Chris? Excuse me one second.

MR. BRUCE BENNETT: I think it's fourth is what you're being told.

THE COURT: Okay. A fourth amended order establishing deadlines and procedures.

MR. BRUCE BENNETT: Okay. And I'll put the ones where I have a couple of options in brackets. Let me just say one other thing about these. I mentioned the deadlines that had to move. There are other deadlines that I admitted could move. I think comments out in the hall -- there were people who wanted to move discovery uniformly the same period of time. The city actually has a different view. The April 25th deadline for complying with timely written discovery requests, which those we assume will be the responses, not all the documents, and the April 26th date on which depositions may commence, the city believes they should stay exactly where they are. With respect to the times to complete the depositions and expert depositions, there the city is flexible to moving those dates for the ten or eleven days, and so in our markup that's what I will implement, but, your Honor, it is clear that some parties would want extensions of paragraphs 9 and 10 as well. We just wouldn't propose that. So we will get that to you no later than the close of business tomorrow.

THE COURT: In your proposed order, let me ask you to put in brackets your proposed date and objecting creditors' proposed dates for any dates that you disagree on.

MR. BRUCE BENNETT: Okay. I will do that.

THE COURT: All right. Anything further? It is. All right. It's obviously not for the Court at this stage to

give final approval to a disclosure statement since we are advised that there will be an amended disclosure statement here filed soon. Nevertheless, it is appropriate for the Court to rule on the adequacy of what is in the disclosure statement with the understanding that following disclosure statements or subsequent disclosure statements will disclose not less than what's in the present disclosure statement but more. With that understanding, the Court will overrule the objections to the disclosure statement that have been filed except to the extent that the city has agreed to make additions and except to the extent that the Court has asked the city to make more disclosures and it has agreed. And so I think we have made substantial progress today, and I hope and expect that with the next round, as it has been outlined here today, we can have final approval of the disclosure statement that will accompany the city's solicitation.

Let's turn our attention then to the status conference.

MS. CECCOTTI: Your Honor, I wonder if I might just ask the Court for a couple of clarifications regarding the colloquy regarding the dates.

THE COURT: Oh, okay.

MS. CECCOTTI: First --

THE COURT: Let me ask you to stand at the lectern --

MS. CECCOTTI: Of course.

THE COURT: -- for record purposes.

MS. CECCOTTI: Of course. I'm sorry. I think there was a suggestion made by Ms. Neville to align the dates for comments regarding the main -- the new main document and the newly filed plain insert and other solicitations. If your Honor is inclined to accept that, would we still need the 21st -- the hearing for the 21st at 11? It seems if your Honor is inclined to go along with that, we would not need that date for that purpose.

THE COURT: I don't know. Do you have a view on this?

MR. BRUCE BENNETT: Your Honor, if you push that back to coincide with the 30th, it wouldn't be a problem for us at all.

MS. CECCOTTI: Okay.

MR. BRUCE BENNETT: Your ruling and that.

THE COURT: Okay.

MR. BRUCE BENNETT: We can wait on both.

MS. CECCOTTI: It makes -- yeah. It seems to make a lot of sense. And, second, I just wasn't clear on Mr. Bennett's comment on the April 25th deadline to comply with written discovery requests. Are you saying you would -- your proposed new schedule would leave that date?

MR. BRUCE BENNETT: Yes.

MS. CECCOTTI: Okay. We would -- we agree with some of the other parties that at least a short extension --

THE COURT: Okay.

MS. CECCOTTI: -- would be appropriate.

THE COURT: Make your suggestion to Mr. Bennett, and he will include it as an alternative date in this, and I'll make a decision.

MS. CECCOTTI: Thank you very much.

MR. HERTZBERG: Your Honor, Robert Hertzberg, Pepper Hamilton. I was going to wait until the status conference, but since you're moving the dates now, we have a request in regard to the witness list we filed. You're moving a date under 11(c) and giving an additional couple weeks. We need to amend our witness list. We have three witnesses that we did not have the ability to disclose at the time that the deadline came up, and we're asking permission to amend our witness list.

THE COURT: Can you do that today or tomorrow?

MR. HERTZBERG: As to two of them we absolutely can. As to one witness, the one witness is waiting on his board's approval as to whether he can be a witness at the hearing, and we might need until early next week to add that third witness.

THE COURT: All right. Add the two you can today or tomorrow --

MR. HERTZBERG: Tomorrow, your Honor.

THE COURT: -- and by Wednesday of next week for the third.

MR. HERTZBERG: Thank you.

THE COURT: Ma'am.

MS. CONNOR COHEN: Thank you, your Honor. Carol Cohen for Ambac Assurance Corporation. While we're talking about the schedule, I wanted to ask for the Court's clarification or maybe even to add another date to the schedule. Right now the date for designation of experts is May 30th and the production of expert reports. The schedule doesn't have a separate date for disclosing rebuttal experts and proposing rebuttal expert reports. Since the city has the burden on confirmation, we anticipate that once the city has designated its experts for confirmation on some of the tests that we may have rebuttal, and we weren't quite sure where that should come in the process. We wanted to suggest perhaps a date be set separately.

THE COURT: Any thoughts on this, Mr. Bennett, Mr. Hertzberg?

MR. BRUCE BENNETT: Fifteen days later would work for us.

MS. CONNOR COHEN: Twenty-one?

MR. BRUCE BENNETT: Pardon? No. Fifteen, so --

THE COURT: All right. Let me ask you all to --

MR. BRUCE BENNETT: We'll talk.

THE COURT: -- confer regarding this and see what you can work out.

MR. BRUCE BENNETT: We'll work on something.

THE COURT: All right. Let's turn our attention to the status conference regarding plan confirmation. A lot of what I was going to cover we have already covered by shuffling our dates around. I guess for me there's the one open issue that I raised earlier. Beyond that, I would invite anyone who is willing, given the present state of settlements and assuming there are no material changes to that between now and confirmation, how many days of hearings might be required. And I would be perfectly understanding if no one is willing to make such an estimate in public. Anybody? No. All right. Well, I'm going to keep asking you this. Is there anything that any of you would like to bring up in regard to our preparations for confirmation?

MR. HOWELL: I would, your Honor.

THE COURT: Yes, sir.

MR. HOWELL: Good afternoon, your Honor. Stephen G. Howell, Dickinson Wright, special assistant attorney general, representing the State of Michigan. We just want to discuss briefly discovery. We have a subpoena and a request to produce and an interrogatory or interrogatories that have been served, and we have been attempting to negotiate and

narrow the scope. The scope is extremely broad right now, and so far what we have determined is --

THE COURT: You're talking about parties that have subpoenaed or made interrogatories to --

MR. HOWELL: To the State of Michigan.

THE COURT: -- the state or state representatives?

MR. HOWELL: Yes. Yes, your Honor. There's been a subpoena served on the governor, and there have been requests to produce and an interrogatory served on the state. And so far as we've tried to narrow these down, we have determined we've got hundreds of custodians. And the last time we did this, which was much narrower, we had 500,000 documents. We are now, we're told, over two million that our predictive efforts have identified. So we are trying to work with Syncora to narrow the scope of the requests that we've had. We're going to try to have some discussions as well with the Retiree Committee, but some of the discussions such as all documents relating to funding received by the city from the State of Michigan for the -- for any purpose from the time January 1, 2005, to the present is -- we're trying to narrow that. It's extremely broad, extremely difficult to respond to. We've started rolling out some information on revenue sharing that they've asked for, and that's led to questions such as sales tax information back to 1980, which we do not keep records back that far, so -- but we've had some very

productive discussions with Syncora, and we're going to continue those. And we've had some today, and given the schedule, we're going to continue those hopefully tomorrow or the next day. But up until this point, the difficulty we're going to have is the 25th is going to be a very difficult, if not impossible date for us to meet on these, but we want to start rolling out what we're getting and what we're finding and producing it, but we would like to ask if it could be accommodated that to the extent that information is needed for state witness depositions, which the city has identified, state witnesses or others, that we ask if those could be scheduled toward the end of the discovery period so that as we roll this out -- and then the period past the 25th it'll take will depend on how successful we are at narrowing, but we have started. We started immediately on putting that together. We have this morning filed a response and some objections, but notwithstanding that, we've communicated to Syncora, and we will communicate and by this appearance communicate to the Retiree Committee that some of those same issues will come up, but we will continue to try to work very actively to narrow it, identify it, and get produced what we can as quickly as we can, your Honor, so that's --

THE COURT: Thank you for that. I appreciate your efforts very much.

MR. HACKNEY: Your Honor, good afternoon. Stephen

Hackney on behalf of Syncora. I was hoping that I could respond briefly to Mr. Howell's comments and also give you something in the way of a small update on some things and then point out one concern I have.

THE COURT: Sure.

MR. HACKNEY: I do want to thank Mr. Howell and Mr. Flancher and also Mr. Schneider at the State of Michigan. We have been working together to try and resolve the subpoena, and it broke down a little bit this week. And I saw them today and said I really would like to find a way to resolve this in a way that balances the state's concerns with our need for information. I don't want to front-run the objection too much. I haven't read it yet because I've been here in court today, but it does relate to an important issue, which is state revenue sharing is both important from a historical standpoint in terms of it relates in some part to why the city became in the condition it came in, but it's also going to be important to feasibility going forward, and --

THE COURT: So are you saying that there has been an objection to the subpoena?

MR. HACKNEY: There was an objection filed today, and I told them --

THE COURT: There was.

MR. HACKNEY: -- I want to keep working to resolve

it without having to have motion practice before you, but I just wanted -- I wanted you to know that it's on an important issue. When you're looking at the future of --

THE COURT: Okay. Well, if you can't resolve it and if you file a motion to compel and request expedited consideration, I will certainly grant that.

MR. HACKNEY: I appreciate that, your Honor, and I have some thoughts for you of that on the end. I just want --

THE COURT: And, by the way, that's an offer to anyone. I don't want to encourage motions to compel. I want you to try to resolve issues among yourselves, but if you need me, I want to be available on an expedited basis because even with this little bit of slippage in our confirmation hearing, it's going to come upon us very soon.

MR. HACKNEY: Yeah. I appreciate that because I understand what you're trying to do with the schedule. We've previously given you our thoughts on what the schedule should be. We accept that those were rejected and the Court imposed the schedule that it wanted to achieve, but we will need to work closely with you to try to resolve things quickly to keep to the schedule.

I wanted to tell you separately just in the way of an update that I have also been working with counsel representing the DIA, and I do -- I'm led to believe, based

on a conversation with him today, that we may have reached an agreed way forward on the subpoena that we sent to them. And he and I are --

THE COURT: Excellent.

MR. HACKNEY: -- going to document that. The last subpoena that I have out there is to Christie's, and I had hoped to speak to them this week, and I still intend to try and achieve a similar outcome.

THE COURT: Thank you.

MR. HACKNEY: Your Honor, there's a big issue in the middle of the schedule that I think that we should talk about now rather than waiting, and it's -- there is an intimate connection between the April 25th date, which is what -- in your order says written discovery shall be completed, and we should talk about what that means exactly because Mr. Bennett actually alluded to that, Mr. Bruce Bennett. But it's important because after April 30th, right around there -- I'm sorry -- April 25th, on April 26th you can start taking depositions, and that runs through May 30th, and then you disclose --

THE COURT: Right.

MR. HACKNEY: -- your expert reports. Now, you don't always have to have all the documents to take the depositions, and you can sometimes say, look, you know, these deponents I don't have to wait for document production, so

maybe we can try to get them out of the way, and we will absolutely do that. And I want to represent here to the city that we're here to be smart about whether deps have to wait for docs. Practically speaking, though, there are some witnesses where you really need to get the document production done before you take their deposition because otherwise there's just such a huge risk that they will be redeposed, and it becomes more inefficient to do it that way.

THE COURT: Right.

MR. HACKNEY: So why is this important? April 25 to May 30, that's a relatively tight deadline when you have 27, now 30 witnesses from the city, potentially 30(b)(6) topics, on and on, so it has to really work perfectly. And we're also talking about a potentially relatively large sum of information the city will have to produce. They've been subjected to very wide-ranging requests, as you might expect, given what goes into proving feasibility when it comes to a municipality as large as Detroit, so they've received broad discovery requests. They've actually also issued broad discovery requests to a lot of the objectors. So in a world where even if everyone sort of did comply and actually make these perfect productions and there weren't discovery disputes about, well, what's appropriate and what's the scope of discovery, on and on, even if that world happened, it would still be -- you would be really going to get all the

deps done. You'd have to process that information, work it into your dep outlines to question the witnesses about it and get it all done by May 30. Separately, though, we heard from the city today somewhat reasonably, I'll say, which is they're assuming April 25th is not the date by which they have complete discovery. It's the date by which they'll give us their objections and we'll start to talk about scope and production and so on and so forth. I'm just projecting to you today that I think that there might be some utility to building additional time into the period after April 25th to do one of two things. The first would be to allow a period for -- the first would be to allow additional time for people to just comply with the document request, point one, but the second would be to allow for a period for expedited resolution of discovery disputes. So what we could do is we could say April 25 is when your -- I took from your order that you're supposed to be completed, meaning fully produced, but to the extent people aren't --

THE COURT: That is what I meant.

MR. HACKNEY: That's what I thought, but I'm sympathetic to what Mr. Bennett said because the city has gotten a lot of requests, and it would be difficult to comply with all those requests in two weeks, and that's a fact.

My idea for your consideration was -- and I am not trying to reargue my prior proposal, but I'm also trying to

be realistic about putting on a good trial for you at the end of this. And what you might consider, your Honor, is if people are not going to fully comply by April 25th either because they've lodged an objection that they don't know won't be sustained or for whatever reason or because they can't physically get the documents out, you know, maybe order a meeting and confer by all parties on Monday, April 28, and set a conference today for Tuesday, April 29, and thrash out the discovery then as quickly as possible and call balls and strikes and then get people to commit when are they going to complete the production because if we don't thrash that out early, I think we're set up for kind of a halting uncertain path forward through the deps. And remember that the experts are often waiting on the information or the deps to render their opinions, so I'm not trying to create issues.

THE COURT: How about if we just have a hearing on all objections to all productions of documents on Saturday, April 26th?

MR. HACKNEY: That works. Well, that works. I mean the only thing that you might consider is that sometimes people are able to work things out once they've seen each other's objections, horse trading and the like. I mean I've been able to work out subpoenas with the DIA, and I think many people thought that would be a very controversial subpoena. I haven't yet with the state, but I hope to. I

mean if you work together in these discovery contexts, you can --

THE COURT: All right. So you can work together over the weekend, and we can have a hearing on the 28th?

MR. HACKNEY: That's fine. That's fine. But I did want to -- I just wanted to flag it now because there are experts --

THE COURT: I appreciate that.

MR. HACKNEY: -- out there working, and --

THE COURT: I appreciate that because --

MR. HACKNEY: Okay.

THE COURT: -- you know, you all are much closer to, you know, the on-the-ground challenges as to getting from here to there than I am, and I appreciate that.

MR. HACKNEY: Absolutely. And that's all I have for today, your Honor.

THE COURT: Mr. Howell has been so eager. I'm going to let him go next again.

MR. HOWELL: Fine with me, your Honor. I appreciate that. Just a couple things. One, I just wanted to say we've started producing revenue sharing information, so --

THE COURT: I heard you say that.

MR. HOWELL: -- we started doing that. Pushing the state witnesses back to the end, I was doing that because the order is for June 16 to be the deadline to complete all

nonexpert witness depositions, so I was not playing against a May 30 but a June 16 and asking to push back, and we are going -- we are not going to be able to comply with the subpoena from Syncora in front of us presently by the 25th. We're going to do as much as we can before then and keep rolling, and we're going to hope to narrow it down such that we can define it a whole lot better, but that's our goal, your Honor, and thank you for indulging me.

THE COURT: All right.

MR. ALBERTS: Your Honor, I think we all want to keep this on a very fast track. And as you know, as Mr. Heiman --

THE COURT: You should put your appearance on the record.

MR. ALBERTS: -- has said, we're going to be -- I'm sorry. Sam Alberts on behalf of the Official Retiree Committee. And as Mr. Heiman indicated, we will be talking this week, and maybe we will be able to resolve our differences. Hopefully we will. But there have been some things that have been included in this plan that took us a little bit off guard and by surprise, and what we would like is the opportunity to supplement our request to the city in very short order for them to provide the documents and answer some questions about it. I think that is fair given the due process concerns, your Honor, and maybe all of it will become

moot, but at the present time it is not. We would like that opportunity. We would be very brief in our views.

THE COURT: Like what?

MR. ALBERTS: Like what? Like, for example, how they have calculated the restoration amounts with respect to retirement -- retirees, which was something that was not in a fashion that we had been discussing with them, such as the ASF issue that has come up, such as some issues concerning the new settlement regarding OPEB and dual trustees, things that we would like to figure out because they have an effect on how we make a recommendation to our members and how we assess the various issues. So we would like to get them out there. We would -- we hope we could get them resolved very quickly, but we want to have that opportunity, so if the Court would indulge us and give us, say, until Monday to get them out --

THE COURT: You're going to want new documents every time the city has a new settlement.

MR. ALBERTS: Well, we would like the documents regarding the settlement, and we've asked for them informally. In fact, we have other requests that we have asked for informally for months now that we haven't gotten. Now, that has been in our prior requests, so hopefully we'll get them now.

THE COURT: All right. But that's a different

question.

MR. ALBERTS: That is a different issue, but this new plan has new aspects to it, and we think that it is fair for us to understand some issues regarding it.

THE COURT: I asked you, "Like what?" and I only got a vague and general answer.

MR. ALBERTS: Well, your Honor, part of the problem --

THE COURT: Identify a specific document you want.

MR. ALBERTS: Part of the problem, your Honor --

THE COURT: Pick one.

MR. ALBERTS: -- is -- well, we would like the settlement agreements that have just been reached. That would be one that we would like to get. We would like to understand their calculations regarding the new DWSD.

THE COURT: I asked you to identify a document.

MR. ALBERTS: Part of the problem is, your Honor, we don't know what the document is called. We know where it might originate from, but we don't know what it is called, so we would also have interrogatory questions about it. So, your Honor, part of our problem is we received the disclosure statement and plan very late.

THE COURT: You understand that by this logic we will never get to confirmation.

MR. ALBERTS: Your Honor, I think that the city

by -- they could have filed this plan two days ago or three days ago. They chose to file it when they did. We would like to assess this plan in comparison to what we served by the deadlines. There are new issues that have been raised.

THE COURT: If you want relief from a deadline that I have set, I'm going to ask you to file a motion for relief.

MR. ALBERTS: Okay. Thank you, your Honor.

THE COURT: Anybody else have anything to raise?

MS. CECCOTTI: Apologize, your Honor, but my simple request to move the April 25th written discovery deadline got -- I don't know where that is now in the colloquy that just happened with Syncora, so I was going to propose to Mr. Bennett moving that deadline a week. I don't know now where that is with --

THE COURT: I thought it was resolved by you telling Mr. Bennett what date you wanted, and he would put both in the proposed order, and I would choose one or one in between.

MS. CECCOTTI: Okay. And just to clarify, by written -- it might influence how much time I have to ask for.

THE COURT: Right.

MS. CECCOTTI: You're including in that the documents as opposed --

THE COURT: Yes.

MS. CECCOTTI: Okay. That will factor into my date

to Mr. Bennett. Thank you.

THE COURT: And if anyone needs more time than that deadline to actually produce the documents, I expect either a stipulation to that effect or a motion to extend that deadline for that purpose.

MR. HERTZBERG: Your Honor, Robert Hertzberg. I just want to clarify a point, and I think Mr. Howell did. Mr. Hackney might have been confused. The May 30th date is the date to name experts. Depositions are to be completed of nonexpert witnesses by June 16th, so --

THE COURT: Okay.

MR. HERTZBERG: -- it's not the May 30th.

THE COURT: Okay. Ms. Lennox, something you would like to say?

MS. LENNOX: No. I just wanted to answer your inquiry, your Honor.

THE COURT: Okay. Yes. Now is the time. Now is the time. Thank you.

MS. LENNOX: I figured I'd let the scheduling issues go first, but, your Honor --

THE COURT: But excuse me for just one moment. I'm sorry. Go ahead.

MS. LENNOX: Thank you, your Honor. I believe you had asked the city about what our thoughts were about supervision regarding plan implementation after confirmation

and the effective date, and that is something that both the city and the state have been giving a lot of thought to in recent times. And it generated a particular provision in the plan, which is at page 56 of the blackline that we filed yesterday. It's Section IV-O of the plan, and it's entitled "Post-Effective Date Governance." And basically what we have now, your Honor, is under the current state law, PA 436, we do currently have a financial advisory board in place, and it was in place pre-petition.

THE COURT: And remind me who that consists of and who appoints them.

MS. LENNOX: I believe -- I don't have the names of -- I cannot recall the names off the top of my head, your Honor, but they're --

THE COURT: But what positions are they? There's the treasurer; right?

MS. LENNOX: Right. And they're very well-respected financial-type professionals in the community. I believe -- I'm forgetting the chair's name right now, but they are appointed by the state representatives under PA 436. That is in place. That was in place pre-petition. It exists now.

Under PA 436, the governor can also appoint a transition advisory board at the end of this case to continue that kind of work. However, there has been an interest at the state and the city level to have a post-Chapter 9

governance model akin to something like the New York Municipal Assistance Corporation that was put in place at the end of New York's crisis in the '70s, so they're looking at a model akin to that. That may require some legislative changes, so we've put a concept of this kind of oversight in the plan. And that is the new provision that we've added, but the details are still being developed. If it requires legislation, the legislative -- the legislature will break, I believe, for their summer break sometime toward mid- to end of May, so the legislature, if it needs to act on this, if there's legislative action required, it will happen prior to the voting deadline, which was prior -- it was June 30th in your Honor's prior order, and it may be extended according to what we've been talking about today.

So those details and further details about that, your Honor, should that happen, will be forthcoming. We have recognized it in the plan, and we have put the concept in the plan that there will be something like that. We are also perfectly happy to include continuing reporting requirements to this Court and retention of jurisdiction for this Court to oversee plan implementation as well.

THE COURT: Okay. Well, I appreciate as much thought as you have put into this. Clearly it needs to be clarified further --

MS. LENNOX: Yes, your Honor.

THE COURT: -- and executed further.

MS. LENNOX: Yes, your Honor.

THE COURT: And without discouraging any of those efforts, all of which you and -- or the city and the state are obviously empowered and free to pursue, I think that in addition to all of that, we have to think about what the appropriate role is for the Bankruptcy Court to monitor implementation of the plan post-confirmation assuming there is an order of confirmation.

MS. LENNOX: Um-hmm.

THE COURT: My thoughts on that subject are also in the formative stage. It strikes me as efficient to have one person who is responsible for reporting to the Court regarding the implementation or lack of implementation of the city's obligations under the plan --

MS. LENNOX: Um-hmm.

THE COURT: -- on a fairly frequent but regular basis.

MS. LENNOX: Certainly, your Honor.

THE COURT: Who that is or how that person gets appointed we can talk about. I think I did read recently in Chapter 9 that the case remains open until administration is concluded.

MS. LENNOX: I believe that's true, your Honor.

THE COURT: And it's obviously in everyone's best

interest, city and creditors, for any implementation issues or challenges or failures to be flagged and dealt with promptly.

In that regard, I want to turn the page slightly here and ask you if on your witness list for confirmation are the mayor or any members of the city council?

MS. LENNOX: I believe the mayor is on our witness list, your Honor.

THE COURT: Okay. So I can provide notice now that it will be very hard to find feasibility unless the mayor and, in his judgment, the city council fully supports the plan and the city's commitments under the plan and the city's means of implementing the plan; right?

MS. LENNOX: Understood, your Honor, yeah.

THE COURT: Does that make sense?

MS. LENNOX: Yes. And we have been briefing the mayor on this process regularly.

THE COURT: We absolutely do not want to get to a place where we have a plan that's confirmed that obligates the city to make certain payments, and Mr. Orr is no longer in office, and who's ever running the city at that point in time doesn't support the plan.

MS. LENNOX: Understood, your Honor. That makes sense.

THE COURT: So you might think about supplementing

your witness list. I don't know exactly what the structure of city government is and what the relationship is between the city council and the mayor, but you might want to supplement your witness list with one or more members of the council itself to further support and meet your burden of proof on the issue of feasibility.

MS. LENNOX: We'll take that into consideration, your Honor.

THE COURT: And at some point we can talk about whether this individual who is responsible to the Court and the creditors to report on implementation issues should be a neutral person; that is to say, someone who is not an employee of the city. I don't know about that one. We should talk about that one.

MS. LENNOX: Thank you, your Honor.

THE COURT: Okay. Sir.

MR. CULLEN: Thomas Cullen of Jones Day for the city. One point about tomorrow. I've conferred with the other two counsel who are going to participate in the discussion with the proposed experts.

THE COURT: Um-hmm.

MR. CULLEN: And we have a common set of questions for the Court that might help us with this.

THE COURT: Okay. Go for it.

MR. CULLEN: One, first is whether the Court plans

to take the lead in the questioning and have us follow up or whether the Court would like us to start and then the Court will chime in as the Court desires.

THE COURT: Yeah. I thought I would --

MR. CULLEN: Which would you rather do?

THE COURT: I thought I would go first and let you all bat clean-up.

MR. CULLEN: That's fine, your Honor. Do you have a -- do we have a concept of how we're dividing up the hour, not to press the Court?

THE COURT: I thought I would take as much of the hour as I liked and left the rest for you.

MR. CULLEN: Seems eminently fair, your Honor.

THE COURT: But -- thank you. I agree. No, but I'm usually efficient in these matters.

MR. CULLEN: Okay. I appreciate it, your Honor. You can see how it plays into our preparation, though.

THE COURT: Right, of course, absolutely.

MR. CULLEN: Great. Thank you very much.

THE COURT: That's it?

MR. CULLEN: That's all I have.

THE COURT: Oh, that was easy. Ms. Patek.

MS. PATEK: Your Honor, again, Barbara Patek on behalf of the public safety unions. I want to go back just for a minute to this idea of this new legislation and the

Court's suggestion about a single person -- neutral person, because there is one issue -- and it's premature because we don't have an agreement with the city, but if the public safety unions can get to an agreement, you know, we want to make sure it's an enforceable agreement that they go back to ordinary course because it's -- there has been a lot of anxiety, so if there is going to be legislation and there's discussion about what form that should take and given the history of what we heard in the eligibility trial, we just would very much like to be included in that discussion. That's probably more appropriately the labor people than me, but I'm putting it out there for the record. And we do want to make it clear that it's our hope that if we do get to an agreement and there is a confirmed plan, that we are moving forward not in a receivership and not with an emergency manager as the city has, you know, posited from the first day of this case.

THE COURT: Is there anything else that anyone would like to bring up at this time? I do think that having this status conference regarding confirmation has been helpful. I think I will plug into whatever schedule you all submit to me one or two or perhaps even three more of these as we get closer to July. And if there is nothing further, we will be in recess. Oh, by the way, one more thing. Tomorrow morning. I don't want tomorrow morning's interviews of these

witnesses to be a session of court. It's not. It's just us interviewing my potential witness. So at the same time, I do want it all to be on the record, so, you know, I may or may not come out here wearing a robe, so don't be surprised. We will put the witness -- or we will put the applicant in the witness box, again, just for convenience of recording, and I will ask you to do your questioning from the lectern, again, not because it's court -- it's not -- only because we want it on the record and it to be as clean a record as we can make it. All right. All right. We'll be in recess.

THE CLERK: All rise. Court is adjourned.

(Proceedings concluded at 3:36 p.m.)

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WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett April 21, 2014

Lois Garrett